

Siege of Italy is threat to Europe

by Leonardo Servadio

A broad international economic attack against Italy is under way, exploiting to the hilt all its longstanding financial and economic weaknesses. The attack, ostensibly waged by several Anglo-American financial outfits, seems aimed at throwing Italy into bankruptcy and triggering a process of breakdown between the Italian and other European economies.

According to the most recent International Monetary Fund estimate, Italy's foreign reserves collapsed by 50% in one year: from 73 trillion liras in June 1991 to 37 trillion liras (24.3 billion SDR) in June 1992. Italy's foreign reserves have been depleted by the repeated interventions the Bank of Italy has been forced to carry out in order to defend the lira against international speculation.

Italy was also repeatedly obliged to hike interest rates, in order to stem capital flight from the lira into the deutschemark, which has been made more and more attractive by the Bundesbank policy of increasing its interest rate. This pressure on the interest rates caused, in turn, shock waves for the enormous public debt (in the order of some \$170 trillion), which is being floated on the markets at an interest rate in the order of 12%. These high interest rates undermine any political initiative which could be undertaken to get the growth of the public debt under control.

On Aug. 13, Moody's rating agency downgraded Italy from the AA-1 to the AA-3 level. Until last year, Italy was rated AAA, like the majority of the industrialized countries. The downgrading implies a decrease in the confidence the creditors have in the Italian economy, and therefore an increase in the interest rates they impose on loans to Italian corporations—in short, an increase in the foreign debt of the country.

The decision to downgrade the Italian economy was taken just after the government of Prime Minister Giuliano Amato had undertaken a series of measures which should have been appreciated by the usurious international financial entities. Amato had canceled the cost of living escalator, started the process of privatization of public industry, and implemented a whole new series of taxes which will allow an additional inflow of at least 30 trillion liras (roughly \$27 billion) into the nation's coffers.

The government's new austerity measures will have practically no effect on the public debt and will not alleviate the

Italian financial crisis one jot—not simply because austerity as such is meaningless, unless it is accompanied by measures to revitalize the productive economy, but precisely for the reasons stated above: Speculation against the lira and interest-rate warfare guarantee a continuous hemorrhage of capital out of the economy, while the financial conditions in which Italy has to operate are worsening, thanks to Moody's and similar operations run on the London market by syndicates of the creditors to several Italian corporations.

It is no mystery that Italy, due to its enormous debt and to its relative backwardness in infrastructure, is Europe's weak flank. It is therefore evident that at a time of growing tensions between Europe and the United States, Italy is in the cross-hairs of the financial warfare aimed against Europe. The weaker Italy is, the harder for Europe to politically unify.

A recent article in the weekly of the Catholic movement Communion and Liberation, *Il Sabato*, describes how this dynamic is working: "Having become independent of the national government, the Bank of Italy de facto is not independent from the Bundesbank. Victim, in its turn, of an exalted and imperial concept of its function, the Bundesbank, after having opposed [Chancellor Helmut] Kohl's policy for German unification, now thinks that even a ridiculous inflation of 4.3% is excessive . . . and had opened a run on the cost of money. In this way it is simultaneously causing an influx into Germany of the capital which goes around in the world looking for the best returns, putting it at the service of its internal problems." What *Il Sabato* underlines, is that the Bank of Italy-Bundesbank monetarist policy plays perfectly into the speculative activities of "international money imperialism," as international speculation was aptly labeled in the papal encyclical *Quadragesimo Anno*.

Under attack from Anglo-American financial speculation, Italy does not have the capacity to react because the Bank of Italy, which is just as independent from the Italian government as the Bundesbank is from the German government, implements measures, such as increasing interest rates, which follow the same logic as the speculators'. It is locked into competition with the deutschemark, instead of developing the capacity to establish, at the political level, an alliance with Germany to jointly oppose U.S. economic warfare on Europe.

But the attacks on the lira, and maneuvers like Moody's, are not aseptic financial operations: They must be seen in the context of the recent activation of the Sicilian Mafia, of secessionist movements like the Lombard League, and of people closely linked to Operation Gladio (the secret paramilitary organization set up after World War II in Italy under the wing of NATO), like former President Francesco Cossiga. Cossiga and his cothinkers, in exposing the inefficiencies and corruption of Italy's parliamentary "partyocracy," aim at establishing a new "institutional setting," which would make all the political processes more "expeditious." For Italy's foreign creditors, that is.