

Italy: no end to instability in sight

by Claudio Celani

The government that was supposed to end the decades-long series of unstable Italian cabinets, has revealed itself to be one of the most unstable. Silvio Berlusconi's coalition, formed by his party, Forza Italia (Go Italy!), the Northern League, the National Alliance, and the tiny CCD, collapsed on Dec. 22 after only seven months. The reason is that the institutional alchemies which were supposed to solve problems originating in the economic crisis, brought to power a generation of politicians much more stupid and manipulable than the previous one. Now the danger is that the faction calling for more institutional alchemies (and more stupidity in power) will prevail in the negotiations to establish the next government.

The crisis of the Berlusconi government was programmed from the beginning, given the conflicting nature of the government coalition, but it erupted when it was clear that his government would not be willing to implement the radical social and economic reform requested by the International Monetary Fund (IMF), such as the total privatization of the pension system and of major state-owned companies.

Additionally, the crisis has erupted at a strategic moment in which Italy is playing a crucial role in three of the most important conflict areas in the world: the Balkans, the Middle East, and Algeria. These areas border the Mediterranean, from the northeast, southeast, and southwest. Italy is an industrial power in the center of that region, stretching as a bridge from Europe to North Africa and tied by intense trade relationships with its neighbors. The country is therefore key in any policy to stabilize the area based on economic development, an approach that the Italian government has so far supported by joining the Clinton-Peres policy on Palestine and taking initiatives favoring a dialogue between the government and opposition in Algeria. On the Balkans, Italy is logistically indispensable if NATO, under American leadership, decides to undertake an effective military intervention

against the Serbs in Bosnia. All this could change if the pro-British faction becomes dominant in the next government, or if a crisis, resulting in early political elections, creates a months-long political vacuum.

An impossible alliance

The government coalition organized by Berlusconi was from the beginning destined to explode because of internal conflicts. Last spring, Berlusconi founded a new party, Forza Italia, and forced an electoral alliance with two other totally antagonistic forces, the northern separatist and radical-liberal Northern League, and the centralist, traditionally anti-liberal National Alliance. Many southern Italians voted for National Alliance candidates exactly because they offered anti-League policies; many northern Italians voted for League candidates in protest against policies they thought the National Alliance would represent. This "miracle" was accomplished by waving the specter of a victory of the opposing front, dominated by the former Communist Party, now called the PDS. The common denominator of the coalition was therefore a supposed "anti-communism."

In reality, Berlusconi moved to prevent what he correctly perceived as the takeover of Italy by a political front dominated by Anglo-Venetian forces, represented by the Agnelli-Caracciolo-De Benedetti media group. The PDS-led "progressivist" front was in fact dominated by the Anglo-Venetians, exemplified by the fact that they ran a candidate against Berlusconi in Rome, a technocrat who is an employee of one of Carlo De Benedetti's financial holdings, Silvio Spaventa. De Benedetti's brother, Franco, an admirer of Adam Smith, was also elected as a "progressive" member of Parliament.

Berlusconi also had compelling personal reasons to enter politics. His financial and media empire, Fininvest, was soon to be targeted by the politically motivated "Clean Hands"

investigation, an "anti-corruption" campaign through which the Anglo-Venetian group has successfully destroyed the political parties that had been hegemonic on the Italian constitutional scene for 45 years.

The Northern League was forced to form an electoral bloc under Berlusconi, or stand accused of delivering Italy to "the communists." But the League interests were, from the beginning, exactly on the side of the Anglo-Venetian front. Berlusconi won the elections, but it was only a matter of time until the conflict would explode.

Behind the pensions crisis

One of the reasons behind the crisis is the IMF-requested privatization of the pension system, which is currently centralized under the state-owned INPS company. Allegedly, one of the contributing causes of the Italian huge public debt (almost \$1.25 trillion, more than the Gross National Product), is the deficit of the pension system. Thus, the IMF first requested that the government reduce entitlements (which Berlusconi did in part); then, in mid-December, an IMF delegation visited Italy and issued a much harsher ultimatum: The pension system must be privatized by May 1995.

It is clear that no politician can do that, and hope to be reelected. Therefore, you need a technocratic government to come in to do the job. Exactly what League head Umberto Bossi, and opposition leaders such as PDS Secretary General Massimo D'Alema and Popular Party Secretary Rocco Buttiglione, have publicly supported.

The whole discussion is based on a fraud. Italy's pension system has no deficit. Published figures released by INPS show that as much money goes out for pensions, as comes in from active workers' payments. The so-called deficit consists in that portion of payments which INPS has been forced to

issue in the past years in the form of unemployment, short-work, and other compensatory benefits, as a result of government decisions often forced by large companies such as Fiat and Olivetti, which were laying off workers and wanted to avoid troubles from the trade unions. These same corporations are today behind the campaign over the "bankruptcy of the pension system."

It is the London-centered financial markets that are bankrupt, in fact, which is why they want to get their hands on Italy's pension funds. In case the IMF reforms are implemented, the equivalent of roughly \$90 trillion would be placed in the hands of London-controlled private funds. This money would be channeled into derivatives speculation, or used in asset-stripping operations such as industrial privatizations.

Berlusconi's capital failure

During his election campaign, Berlusconi had promised he would create 2 million jobs through an investment policy. His newspaper *Il Giornale* had even published a list of infrastructure projects which Forza Italia had indicated were top priority for government policy. Berlusconi has done none of that, and instead has implemented budget cuts. Figures released at the end of the year show that in 1994, unemployment rose by 400,000, which added to the 2 million unemployed produced under the previous Amato and Ciampi governments.

Instead of facing reality, at his year-end press conference, Berlusconi defended his policy and the idea of an existing "economic recovery." In reality, the recovery consists of a mini-export boom limited to those companies which were able to exploit the lira devaluation in 1993. Large corporations such as automobile producer FIAT are announcing profits because they laid off more than 40,000 workers in the last three years. At Olivetti, a balanced budget was reached

Behind London's war with the Berlusconi government

Almost from the outset, the City of London has been in open war with the Berlusconi government, conducting press campaigns and assaults against the Italian currency and state bonds. The hidden reason behind this was London's exposé of the allegedly "neo-fascist" component in the government, around the National Alliance regrouping. The reality of the matter, however, is that members of National Alliance in the Berlusconi government last summer had indicated their desire to put under executive control the activities of the Banca d'Italia, to curb speculation through a regulation of financial derivatives, and even to reintroduce nuclear power as an energy source, after a manipulated voter referendum banned it in 1983.

A leader of the campaign against financial speculation was National Alliance member and Deputy Budget Minister Antonio Parlato. On Oct. 14, he released a document calling for "the Banca d'Italia to intervene to reduce the worrying weight of financial derivatives, which is splitting an enormous mass of resources from investment savings . . . [diverting it] into financial speculation, moving an amount equal to our public debt around the world." Referring to the present financial and monetary system, Parlato characterized it as "a weak system even threatening to undermine national sovereignty."

Parlato was the first member of Parliament, in 1993, to confront the Ciampi government with *EIR*'s revelations about the infamous meeting onboard Queen Elizabeth's yacht *Britannia*, a conspiratorial gathering to plan Italian privatizations. In another initiative, Parlato had also requested from the Italian government an investigation into the illegal jailing of Lyndon LaRouche.

by laying off one-third of their labor force in the last four years. The same occurred at Pirelli. Furthermore, a recent study showed that most industrial firms which increased production, did so by bringing their utilization of capacity up to close to 100% and by making no investments. They were able to do it by forcing workers to accept shifts around the clock, in many cases without paying overtime.

The two alternatives before Italian President Oscar Luigi Scalfaro are both going to worsen that picture: either a technocratic government, or a Berlusconi caretaker government leading to early elections in the spring. In the first case, the composition of the cabinet will define what Italy's foreign policy will be. One of the worst cases would be if Scalfaro appoints former President Francesco Cossiga, a British puppet through and through. Cossiga has been preparing for that in London, as he did during the last government crisis. If Berlusconi succeeds in keeping his party united under him, there will be elections and a months-long vacuum.

Jacobin prosecutors

Whoever becomes the next Italian prime minister, he will face a Jacobin persecution if he does not comply with IMF dictates. This persecution is called the "Clean Hands" investigation, run by a group of magistrates under Milan Chief Prosecutor Francesco Saverio Borrelli. The function of the "Clean Hands" investigation is, more or less, similar to the Whitewater operation against President Clinton. For instance, they tried to eliminate Berlusconi by accusing him of having authorized a bribe of police officers inspecting the books of Berlusconi's company Fininvest. The accusation concerns events which occurred back in 1990, and the bribe was less than \$200,000. By mounting a press campaign, however, they aimed to discredit Berlusconi and to force him to resign. Instead, Berlusconi accused them of "conspiracy" against his government, even after he was forced to submit to a humiliating "interrogation" for seven hours, in early December. Instead, he ordered a government investigation into the Milan prosecutor's office. Polls taken by Berlusconi's people then showed that half of Italy's voters supported him against the magistrates. That is probably why Borrelli's team hesitated to arrest him, which they will probably do as soon as Berlusconi is no longer prime minister.

Recently, the "Clean Hands" operation lost its chief member, Antonio Di Pietro, who resigned to prepare for a political career on the advice of his close friend Cossiga. Di Pietro, a former policeman in the 1970s under Carabinieri Gen. Carlo Alberto Dalla Chiesa (a member of the secret Propaganda-2 masonic lodge, later killed by the Mafia), has become the most popular figure in Italy, thanks to his spectacular "anti-corruption" investigation. Depending on how the situation develops, the Anglo-Venetian oligarchy is keeping Di Pietro as an ace in the hole, to launch him either as a candidate for prime minister or justice minister. Politically an incompetent, Di Pietro will be a puppet in the hands of his masters.

After Grozny debacle, time running out for Yeltsin 'reforms'

by Konstantin George

The bloody war waged by Moscow's Yeltsin government against the breakaway Caucasus region of Chechnya, which had killed thousands by the New Year, is serving as a catalyst to a historical process. It can be confidently foretold that 1995 will see the demise of the Yeltsin regime and the burial of the "reforms" inspired by the International Monetary Fund, which have wrecked the physical economy of Russia. The conduct of both Russia's military leadership and the Russian Orthodox Church during the Chechnya war, signals that powerful Russian national institutions were committed to overturning the "reforms" before the war began. The military adventure of Yeltsin and his coterie, has been an attempt to preempt or postpone the termination of the ruinous policies that have ruled Russian since 1991.

Army and church in opposition

The debacle in Chechnya has accelerated since the Army's New Year's Day failure to take the Chechen capital of Grozny. Hundreds of Russian troops were killed, hundreds of others captured, and dozens of tanks and armored vehicles destroyed. According to information from eyewitnesses, the Chechens allowed the Russian tanks and armored vehicles to penetrate their outer positions and advance to the center of the capital. Then, the Chechens cut off the Russian advance troops, opening fire on them from all directions. After suffering very heavy losses in men and equipment, the remaining Russians were forced to withdraw. The Chechens claim that they took up to 300 Russian prisoners, including a general and four colonels.

The chaotic Grozny ground attack mirrors the rejection by the unified military high command of the Yeltsin regime's policies. The high losses are, to be sure, being very angrily swallowed by these leaders as the price paid to let the regime play out its hand, with the pragmatist calculation that this evident catastrophe may speed up the process of moving to the post-"reform" era.

The public side of the military's attitude is seen in: 1) the historically unprecedented refusal by Russian high-ranking officers to take any part in the Chechen war, with one after the other rejecting operational command positions; and 2) the outright opposition to the war by at least three of Russia's deputy defense ministers, Generals Kondratyev, Gromov,