Italian government puts Maastricht Treaty up for reconsideration

by Claudio Celani

Someone once made a joke: "Italy has a President and a king," the king being the chairman of FIAT, the Turin-based, largest private industrial-financial conglomerate in Italy. Such a joke reflects the power that the Fiat group has had in the country, often greater than the government itself.

It was, therefore, as if the government had spoken, when current FIAT Chairman Cesare Romiti, speaking in Rimini at the yearly meeting of the Catholic movement *Comunione e Liberazione* (Communion and Liberation) on Aug. 23, departed from his written speech to add a sentence which signified that Italy was going to challenge the infamous Maastricht Treaty, which has bound European Union (EU) countries to a draconian schedule of budget cuts, in order to fill the established criteria required to join the utopian Single Currency reform in 1998. Thus, Romiti was unofficially announcing the death of the Maastricht agreement, which was designed to destroy national sovereignty, a danger that *EIR* has continuously pointed out since the Treaty was signed, in 1991.

According to the press, Romiti said: "To join Europe — and I am in favor of it, even if a certain price has to be paid— we must at least partially solve the unemployment issue, which, above all in [Italy's] South, is dramatic. Government people must think about this." The daily *La Repubblica*, close to FIAT interests, added another sentence: "Italy must delay for some time the entrance into Europe."

The government follows

Barely 24 hours had passed before the Italian government, through Vice Prime Minister Walter Veltroni, picked up Romiti's statements. Veltroni, in an interview with *Corriere della Sera*, which went out immediately on the international wires, said that the European countries should reconsider the criteria for European Monetary Union. Italy should not necessarily take any unilateral moves to delay joining a single European currency, but rethinking is called for. "We should not give in to the temptation for a unilateral detachment from Maastricht," he told the Milan daily. "But there is something new—the recession in Europe. Therefore, a question of the excessive severity of the criteria for the single currency exists. We must see if it might not be the right thing to sit around a table to rediscuss the criteria or their interpretation, or maybe even the timing of monetary union," he said. He added that he preferred informal contacts on the matter rather than official initiatives.

Both Veltroni and Romiti, even if not challenging the Maastricht policy as such, made proposals that, if accepted by Italy's European partners, will mean, de facto, the death of the Maastricht plan. A delay of the plan, in fact, means its abandonment in practice. Knowing how things work inside the EU, it is unthinkable that the Italian move could have been made without consultations and agreement with Bonn and Paris. The opposition to the Maastricht-dictated austerity is mounting in both France and Germany, so much so that even international speculator George Soros has predicted that social revolts will break out unless both countries decide to drop the plan for a European Monetary Union.

Therefore, the official reaction coming from Brussels after Veltroni's statement, rejecting "any change of what was established in Maastricht on schedules and conditions to achieve the single currency," has not worried the Italians. As the daily *Corriere della Sera* wrote on Aug. 26, "The 'Nos' coming from institutional sources do not suffocate the uneasiness which nowadays goes throughout the continent." The article listed prominent anti-Maastricht spokesmen, such as, in Germany, the Bundesbank's Otmar Issing, and the governor of Bavaria, Edmund Stoiber; in France, the chairman of Peugeot, Jacques Calvet. And even in Britain, the paper noted, shadow-Chancellor of the Exchequer Gordon Brown thinks that unemployment is the priority, and then comes Maastricht. "Today, in Brussels, in Strasbourg, and in all offices of the European Community, contacts are multiplied. A way out is being sought," the paper commented.

In other words, as economist Stefano Zamagni stated, "Let us be frank: Our problems are common to almost all other countries, and everybody hopes that somebody else will take the first step. But everybody hopes and nobody moves."

Broad opposition in the country

The Italian government had already, in effect, abandoned the Maastricht schedule at the beginning of the summer, when it had Parliament approve the FY 1996 budget plan. The plan includes cuts which are far less than the amount demanded—

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for instance, by the International Monetary Fund—in order to satisfy the Maastricht criteria. Instead of 50 trillion liras (roughly $34 billion) in cuts, the government announced cuts for "only" 32 trillion liras. Moreover, the three-year plan, called the Document of Economic and Financial Planning (DPEF), established a looser schedule to reach the Maastricht targets, including those for inflation, the relationship between Gross Domestic Product and public debt, and between debt and the deficit. Their achievement was postponed for one year, to 1999 instead of 1998—nothing big, but it meant Italy is out of the Maastricht schedule. It was only a matter of time until the issue was officially posed.

Massimo D'Alema, leader of the main government coalition party, the Party of the Democratic Left (PDS), expressed the prevailing mood in political, business, and labor circles about the effect of the Maastricht austerity, when he declared in an interview, "We cannot bring a dead country into Europe." Demonstrating a broad consensus on government policy, central banker Antonio Fazio declared, in front of a Parliament committee on July 10, that a package of budget cuts any bigger "would negatively effect the economic growth in 1997 and in 1998." In answer to a radical Northern League representative, Giancarlo Pagliarini, Fazio said that Italy's sticking literally to the Maastricht guidelines, thus reducing the ratio of public debt to GDP, from the present 120% to the required 60%, "would demand a budget reduction of 1,000 trillion liras."

Defusing the Northern League threat

The Maastricht-dictated austerity is the main reason behind the electoral growth of the separatist Northern League, which in northern Italian regions garnered 20-30% of the vote in the last general elections. League voters disagree with League leader Umberto Bossi's proposals for northern Italy to secede from the rest of the country, but they are going to follow him on Sept. 15, in a huge demonstration organized to celebrate the birth of the northern Italian nation of "Padania." It is a way to signal to Rome that they have had enough of taxes and no development policies. Although the demonstration is no direct danger from a law-enforcement standpoint, Bossi's anti-Rome propaganda could incite radical sections of the League to violent actions.

Law enforcement officials are also worried about a "Southern League" movement, which is growing, in apparent reaction to Bossi's racist demagogy. Such a movement receives financing from Serbian factions, and is suspected to be a front for the Mafia, which, at the end of World War II, supported by the British, already once before tried to separate Sicily from the rest of the country.

Italy's elite knows that both the tax burden in the north, and unemployment in the south (over 20%), have reached a threshold, beyond which the situation will go out of control. This was one of the urgent considerations behind the decision "not to die for Maastricht."

Furthermore, the "export boom," due to the devaluation of the lira after 1992, which kept some sectors of the economy going in the northeastern regions, ensuring a positive trade balance over the last few years, is long gone. Official figures published at the end of July showed a slowdown in industrial production and a drop in internal consumption, with car sales down 6% and food consumption decreasing for the first time in postwar history. Even a supposedly positive figure, showing inflation in negative growth for two months in a row, is in reality an indication of a collapse in consumption. Italy's number two pasta producer, Vincenzo Divella, commented to the daily *Corriere della Sera:*

"I do not digest at all this inflation decreasing so rapidly. Here, with this Maastricht story, in order to respect parameters, the government squeezes everything. And I say, low inflation is good, but they are going too quickly. In my sector, our turnover has increased 16% in the first four months of the year, without increasing prices. But do you know what it means when people eat more pasta and bread? That is the first signal of a recession. Because in food, they cut back on more expensive stuff."

Giuseppe Cerroni, head of the largest retailers' association, Confcommercio, declared on Aug. 21: "European countries have become prisoners of the Maastricht Treaty and of the . . . obsession to control inflation. The consequences are evident, and they are paid for with double-digit unemployment, frozen consumption, drops in production, and both companies and families becoming poorer and disoriented."

At the end of August, the government was confronted again with the budget question when it started to draft the FY 1997 plan, which, according to the Maastricht guidelines, should include an additional 21 trillion liras in budget cuts. Compared to previous years' cuts, it is quite mild. But, Luigi Spaventa, head of the Government Committee on Prices and Tariffs, wrote in a commentary in the daily *La Repubblica* on Aug. 24, that such cuts are an impossible target, unless social expenses, such as health care and pensions, are cut, which the government promised not to do. "Restrictive policies currently pursued do not represent the required medicine," wrote Spaventa.

Lack of alternatives

If the Italian Parliament voted today on Maastricht, there would be a broad bipartisan majority *against* austerity, as two opposition representatives, Giovanni Alemanno and Alessandro Galeazzi, declared on Aug. 25. However, no member of the government or the business community has formulated a real alternative policy. People such as Romiti, Veltroni, Spaventa, and Zamagni are all supporters of free-market dogmas, which make them incapable of challenging the wrong axioms of the Maastricht policy.

More interesting proposals are coming from trade union leaders, who represent a quite powerful force which the government must listen to. The unions are prepared to organize

strikes in September, when the national contract of the metalworkers has to be renewed. The unions' business association counterpart, Confindustria, is unwilling to concede wage increases which the unions are demanding in order to compensate for inflation. The unions have called for wage increases in the context of more general demands for a job-creation policy and an expansion of the internal market, but have so far avoided a frontal attack on Maastricht, in order not to create problems for the government.

After Romiti gave the signal, Sergio Cofferati, leader of the largest trade union, the CGIL, and with the support of his colleagues Larizza and D'Antoni, leaders of the UIL and the CISL, respectively, demanded that the infrastructure-development program called the "Delors Plan," named after the former head of the European Committee, Jacques Delors, finally be adopted. As *EIR* has reported, that plan is very similar to Lyndon LaRouche's earlier "European Triangle" infrastructure program, issued in 1989.

"I ask, what happened to that plan?" D'Antoni said. "Even at the last [EU] Florence meeting, the issue has been ignored. And through that, Italy has made a double mistake, because the right way to combine financial balancing and employment, is to oblige Europe to adopt an expansion policy."

Return to national banking

The central question is: How to finance investments in infrastructure? Measures urged by CGIL leader Cofferati, who proposed, for example, to use the income from the privatization of state-owned companies, are no solutions. Even if the Maastricht guidelines are rejected, the tax revenue of the state is not enough to generate credit for all the infrastructure investments that are needed. Already last July 26, a government meeting gave a pre-taste of the problem, when government members quarrelled over whether the limited money available should be allocated to enlarge the northern Bologna-Florence highway, or the southern Salerno-Reggio Calabria one. The meeting ended with a compromise: Both will be started—and then we will see.

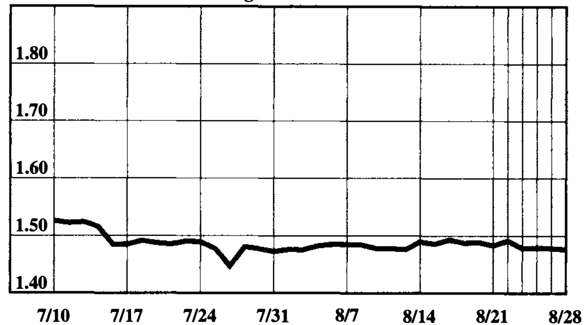
Nor is the scheme to use private financing a real alternative, as UIL leader Larizza, among others, has proposed. As shown by the case of the English Channel tunnel, which went bankrupt, high interest rates demanded by private banks cannot be repaid through tariffs or user fees, which should be as low as possible, or nonexistent, in order to make infrastructure productive.

The only solution is the "national banking" reform proposed by Lyndon LaRouche. Increasing sectors of the Italian political world are looking with interest at LaRouche's ideas. In the most recent example, the magazine *Ordine Pubblico,* which has 80,000 subscribers among law enforcement officers, published a three-page interview with LaRouche, under the headline "We Need a New Roosevelt," in which the American economist explained in detail his economic analysis and his programs.

Currency Rates

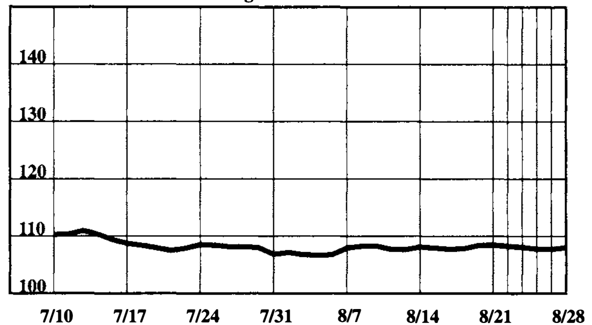
The dollar in deutschemarks

New York late afternoon fixing



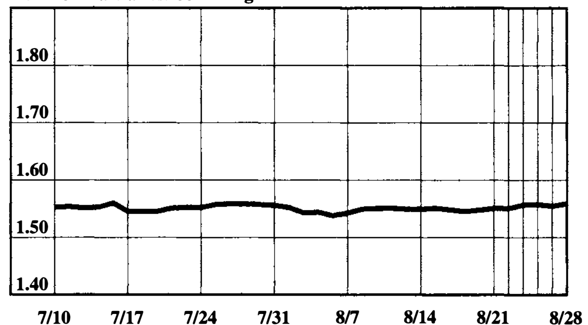
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing