Italian Senators initiate drive for New Bretton Woods

by Paolo Raimondi and Andrew Spannaus

On Jan 12, eleven Italian Senators introduced a motion on the Senate floor which spotlights the danger of global financial instability and the devastation of living standards. It asks the government of Italy "To take the initiative of proposing to convoke a new international conference at the level of Heads of State and Government, such as the one that took place in Bretton Woods in 1944, for the purpose of establishing a new international monetary system, and of taking those measures which are necessary to eliminate the mechanisms that have created the speculative bubble, and of initiating programs for the recovery of the real economy." The full text of the parliamentary motion has been published in the records of the 745th session of the 13th legislative term (see *Documentation*).

All the initiating Senators are from the opposition Alleanza Nazionale (AN) party led by Gianfranco Fini, that together with Forza Italia (FI) of the industrial magnate Silvio Berlusconi, forms the political and electoral coalition called the "Polo." As part of normal Senate practice, the motion will proceed to the floor for debate, and later, will come to a vote. If it wins majority support, it will bind the government to act upon it.

The Senators' initiative is one of the boldest moves on behalf of national sovereignty and national economy-based development, and goes against the dogma of globalization and "free" markets.

Within the United States, the same objectives are winning growing popular support to the Democratic Presidential campaign of Lyndon LaRouche, whose election committee is called LaRouche's Committee for a New Bretton Woods. In Germany last fall, Chancellor Gerhard Schröder moved to protect the national interest against "free-market" ideology, and intervened to save the company and workforce of the Holzmann construction firm.

This singular move in Germany, and support for it in France, Italy, and elsewhere, added impetus to the rejection of globalization at the Dec. 3, 1999 World Trade Organization conference in Seattle. But the question posed by the Seattle WTO failure is, what next?

As of January 2000, yet another crisis is under way in the global financial system. Derivatives players who bet wrong on U.S. government bond prices have now involved some first-rank financial firms in a crisis on the scale of the 1998 Long Term Capital Management (LTCM) meltdown threat. The Italian Senate motion reviews the sequence of such crises in the past three years, and spells out the steps needed to intervene to save nations and peoples, not speculators.

Even as the motion is gaining support in Rome, warnings are sounding over the instability of the financial system, and need for a sound policy response. On Feb. 2, former U.S. Treasury Secretary Robert Rubin, in a speech in London, recounted some of the recent years' crises, and warned about complacency. "With each successfully averted crises, with each near-miss, the certainty that things will always work out seems to grow, and with it the likelihood of unsound decisions in the public and private sector," he said. "And the risk is that, at some point, the excesses may simply become too great, and the inevitable consequences follow."

Rubin warned that some people "see a new paradigm that renders irrelevant so many traditional concerns about downturns, risk, and sound policy. I profoundly disagree with this view. This view of the economy is contrary to all of human history with respect to markets and economies, and that should be a sobering caution."

Italy has been hard hit by its attempt to conform to a special form of globalization in western Europe: the Maastricht Treaty. Maastricht established specific budget-cutting criteria, and has been used to blackmail Italy into privatizing its industrial sector and liberalizing its labor and financial markets. The result has been a continued drop in industrial production, and a boom in financial speculation, accompanied by a near total loss of political and economic sovereignty.

Support for an alternative has grown thanks to the initiatives taken by the LaRouche movement in Italy. LaRouche and his wife Helga Zepp-LaRouche have visited Italy repeatedly in recent years, and urged Parliamentarians and other institutional figures to help Italy recapture its role as a force for economic development and international cooperation. In particular, the Italian government has begun to play an important role in improving relations with Iran, Russia, and China.

The first signer of the motion is Sen. Riccardo Pedrizzi, deputy chairman of the AN Senate group, secretary of the Senate Finance Committee, and a member of the executive of the "Parliamentary Group for the Jubilee 2000." The other ten signers, Antonio Battaglia, Piero Pellicini, Giuseppe Valentino, Vito Cusimano, Francesco Servello, Mario Palombo, Francesco Bevilacqua, Italo Marri, Michele Florino, and Vincenzo Demasi, are all members of various Senate Committees for Industry, Scientific Research, Agriculture, Defense, and Education.

Senator Pedrizzi has written other Senators, particularly those of other political parties, calling on them to sign the motion as an expression of concern for national interest. Within only a few hours of his call, six new Senators cosigned the motion: Luigi Manfredi (Forza Italia, FI), Euprepio Curto (AN), Ettore Bucciero (AN), Vincenzo Mungari (FI), Marco Toniolli (FI), and Rosario Giorgio Costa (FI-CDU).

A discussion is under way among deputies of different political orientations to take a similar initiative in the Chamber of Deputies. This could lead to the creation of a coalition of national-interest forces from all sides of the political spectrum, in opposition to the liberal factions in those same groupings. Other political leaders are planning to open a discussion on a new Bretton Woods conference in regional parliaments and in the most important Italian cities, such as Milan.

Documentation

The Italian Senate motion:

It is the view of the Italian Senate:

That, starting in 1997, the financial crises in Asia, Latin America, and Russia, and the collapse of the largest hedge fund, LTCM, did not represent isolated or accidental cases, but were, rather, manifestations of a crisis of the entire international financial and monetary system, which has often gone

What is a New Bretton Woods financial system?

The original Bretton Woods system came into being at a conference of 44 nations beginning on July 1, 1944, in Bretton Woods, New Hampshire, convened on the initiative of U.S. President Franklin D. Roosevelt. On July 22, the group agreed to create an International Monetary Fund (IMF) and a Bank for Reconstruction and Development, later known as the World Bank. The main purpose of these institutions was to deal with the economic problems of the European countries that had been devastated by war. They began to function in early 1945, as World War II was nearing its end.[1]

The core of the new system was the arrangement for fixed currency parities, which would make it possible to revive world trade. The value of the dollar was pegged to a specific weight of gold, and, until the end of the 1960s, it functioned as the accepted substitute for gold. Exchange rates of other currencies were to be changed in relation to the dollar or gold, only as a measure of last resort, after national policy measures had been exhausted. Long-term investment and trade could thus be undertaken on a stable currency background, and risk of dramatic currency losses and speculation was nonexistent at that time.

From the beginning, however, there were clashes between the "free-trade" colonial policies of the British delegation, and the concepts of President Roosevelt, who had told Britain's Sir Winston Churchill as early as 1941 that the United States was not going to fight the war in order to restore Britain's empire. After Roosevelt's death, unfortunately, his understanding of postwar economic policy was abandoned by successive Presidents (with the exception of John F. Kennedy), and the IMF and World Bank increasingly came to play the role of instruments of neo-colonial looting, on behalf of the British-based financier oligarchy. When President Nixon took the dollar off its gold backing in 1971, the Bretton Woods system became defunct.

In calling for a New Bretton Woods, Lyndon H. LaRouche, Jr. has specified steps that must be taken today:

1. Governments must not attempt to bail out the speculators, but rather, protect people, productive enterprise, and useful trade in hard commodities and science-related services.

2. The credit and issued public Treasury debt of national governments must be protected at all costs.

3. There must be no mass evictions, or breaks in continuity of operations of essential production and distribution of goods and essential services.

4. A global recovery program must be adopted to foster immediate recovery in world hard-commodity trade. The core of such a program is the Eurasian Land-Bridge.

1. See William Engdahl, "What the Bretton Woods System Really Was Designed To Do," *EIR*, Aug. 15, 1997.

to the brink of a real implosion;

That, in the process of globalization and of the total internationalization of financial markets, the collapse of any financial market, creates a situation of instability for the entire system, mainly due to two factors:

That most financial operations are short- or very short-term; that the international institutions, such as the International Monetary Fund and the World Bank, malfunctioned in performing their work, as was recently spectacularly demonstrated by Russian economic developments;

That, in recent months, many international economic experts, who, until the recent period, would not publicly express their concern, have started to raise the issue of the danger of an imminent financial crash. . . .

That, starting from the decision made on Aug. 15, 1971, to decouple the dollar from the value of gold reserves, measures for economic, monetary, and financial deregulation have been introduced, which have marked the end of the system established at Bretton Woods in 1944, a system that, through exchange and capital-control mechanisms, and through creation of credit for real investments—above all, with the Marshall Plan—had sustained the reconstruction of the economies destroyed by World War II, which promoted a period of development;

That, in the last 30 years, there has been, instead, a split between the real and financial economies; the latter has given birth to a giant financial and speculative bubble, which has fully transformed the structures of the world economy. It has been calculated that this bubble of financial instruments amounts to at least $40 trillion.[1] The very data on the U.S. economy, published by the Department of Commerce, by the Federal Reserve Board of Governors, and by the Federal Deposit Insurance Corporation, confirm all of this. In fact, at the end of the first quarter of 1999, the total of financial instruments had reached the level of $96.97 trillion, as opposed to a Gross Domestic Product of $9.07 trillion, a ratio of 10.7 to 1. It is, therefore, evident that the U.S. situation is not an exception, but, rather, it is the rule, which also applies to the Japanese, European, and other economies;

That this process has had devastating effects, in particular, on economies and living standards of the populations of developing nations, such as Malaysia, where the speculative attacks mounted in 1997, which lasted only a few weeks, had de facto destroyed the progress which had developed over 40 years of commitment and work in that nation, as Prime Minister Mahathir has publicly stated. Malaysia's decision to respond to this speculative destabilization and against unbridled globalization, by introducing a series of control measures on exchange and capital movements, allowed that nation to stabilize its economy (increasing, by the way, its GDP by 6% in one year), as even IMF Deputy Director Stanley Fisher was forced to admit;

That the same process is creating extremely negative effects on production and employment levels, with worrisome social consequences, in the most industrialized countries as well. It is a process that, by expropriating the power of governments and democratically elected Parliaments, at the same time undermines the very principle of national sovereignty and of the constitutional mandate, valid in Italy as well as in all countries, to promote progress and development. Moreover, this process increases, at the international level, the risk of regional conflicts and wars. In addition, the growth rate of financial instruments in relation to GDP, as has happened in recent years, without regulation and in the context of financial globalization, will not stop of itself, thus, liberalizing the market even more;

Considering that there is a very serious risk that all refinancing operations of the financial bubble, through liquidity pumping, could cause an inflationary explosion of all prices, not just of financial assets;

Binds the Government:

1. To take the initiative of proposing to convoke a new international conference at the level of Heads of State and Government, such as the one that took place in Bretton Woods in 1944, for the purpose of establishing a new international monetary system, and of taking those measures which are necessary to eliminate the mechanisms that have created the speculative bubble, and of initiating programs for the recovery of the real economy, among which are:

a tighter control on currency exchanges, by introducing fixed parities which can be changed, in case of need, but only through the decision of responsible governments and the agreement of the member-states of the new monetary system;

some measures to limit capital movements;

the introduction of measures, such as the Tobin tax, which aim at reducing short-term speculative operations, such as derivatives transactions;

the reintroduction of the gold-reserve system, in such a way as to link currency values to a real point of reference;

the creation of new credit lines, explicitly oriented toward developing new investment in real economic sectors, such as industry, new technologies, scientific research, and agriculture;

the definition of large infrastructural projects, of continental dimensions, in which new technologies and new products of scientific research can be used, to become the engines of industrial reconstruction and of peaceful cooperation among nations and peoples;

2. To bring this proposal to the Strasbourg Parliament, to the European Commission, and to all the institutions of the European Union, responsibles for EU economic policy and, through bilateral agreements, in the individual European governments and parliaments;

3. To promote and support all those initiatives of similar content, made by the governments of the United States and the world, starting with China, India, and Russia.

1. The amount of the bubble should read: "$300 trillion, as compared to a world GDP of $40 trillion." This misprint appeared in the official text of the resolution.