

The Resolution for A New Bretton Woods

This is the original motion submitted by Hon. Mario Lettieri in 2004, which was approved, with minor changes, on April 6, 2005.

The Chamber of Deputies,

Whereas: the recent crash of the Parmalat company, with a hole of 14.3 billion euros that must still be accounted for, certainly reveals a lack of effective tools and controls regarding financial operations and the behavior of certain participants in economic activity, such as auditing companies, ratings agencies, advisors, companies that float stocks and bonds, etc.; after the crash of the LTCM fund, Enron, and then the Argentine bonds, as well as Cirio, Parmalat, and Finmatica, to mention only the most sensational cases, it should be clear to everyone that we are faced with a truly systemic crisis;

The Investigative Survey Commission on the Parmalat case will undoubtedly produce many important results and ideas in order to prepare a set of interventions aimed at improving the functioning of economic mechanisms, with greater controls and more guarantees of propriety, and defending the interests of all those people who participate in economic processes in a productive and honest manner, and at the same time giving them responsibility;

Given the internationalization of financial markets, one nation by itself, or even Europe alone, is not able to guarantee control and application of stronger rules in a decisive manner;

The financial and banking crises raise widespread worries not only among small investors and serious companies, but also among the governing classes of the various countries involved. There is a crisis of the entire financial system, a system which is more and more oriented towards

pure speculation. In fact, it is estimated that the entire financial bubble, counting all financial derivatives and all other forms of existing debt, is equal to about \$400 trillion, compared to a worldwide GDP of slightly more than \$40 trillion;

In the meantime, the most recent data officially reported by the Bank for International Settlements in Basel, not only indicate a widening of the gap between the real economy and the purely financial economy, but also reveal a true explosion of the financial derivatives bubble. The BIS report "OTC (Over the Counter) Derivatives Market Activity in the First Half of 2003," published on Nov. 12, 2003, admits the following notional values of OTC derivatives, in billions of dollars: June 2002: \$127,500; December 2002: \$141,700; June 2003: \$169,700; that is, an increase of \$42 trillion in 12 months!;

Besides the main Italian banks involved in the Cirio and Parmalat cases, the three American banks involved in the Parmalat matter—JP Morgan Chase, Bank of America, and Citigroup—are themselves most responsible for this dizzying growth, as can be seen from the reports of the American government institution known as the Comptroller of the Currency; in June 2003, JP Morgan reached the level of \$33,300 billion in derivatives, with an increase of \$4,500 billion in only 6 months; Bank of America reached \$14,300 billion, and Citigroup \$13,000 billion. This is quite a distortion, if we consider that U.S. GDP is about \$11,000 billion:

Commits the Government

To act in the relevant international venues in order to create a new financial architecture, aimed at avoiding future financial crashes and the repetition of speculative bubbles, and thus dedicated to the main objective of supporting the real economy; and to take all necessary initiatives to reach, as soon as possible, together with other nations, the convocation of an international conference at the level of Heads of State and Government similar to that held in Bretton Woods in 1944, to create a new and more just global monetary and financial system.

has the duty to launch a process that leads to a re-writing of the rules at the international level.

If we don't want to call it Bretton Woods, then let's call it something else—because the markets are not able to regulate themselves, as the last decade has clearly and evidently proven. So I believe we need to prepare a text that doesn't merely represent a "pure water" solution or a declaration of intent; but rather one that is able to be effective internationally, to let the "usurocrats" and the speculators know that investments and savings can be defended when there are Governments that know how and want to defend them.

Alfiero Grandi: To say that globalization exists and that

markets must be open, does not mean we don't need rules and mechanisms to govern these processes. In this sense, our colleague Alfonso Gianni is right when he reminds us that some of the current international venues have proven to be completely inadequate in governing these processes. Some of the recent decisions, for example regarding international nominations, do not make us optimistic. Some people have proposed—and they have done it in important international settings—a true "UN for the economy;" naturally, like all formulas, this doesn't quite do justice to the complexity of the problem that we have to deal with.

In any case, I think it is important that this problem has