

Italian Parliamentarians Fight Against Usury, for Return to a Real Economy

Italy's Chamber of Deputies debated and passed a resolution on April 6, written in collaboration with the LaRouche political movement in Italy, which called on the Italian government to convene an international meeting of heads of state "to create a new and more just global monetary and financial system." It was supported by Deputies from all the parties. We publish below, two interviews with Italian Parliamentarians who support the resolution. (See last week's *EIR* for two other interviews.)

Since the April Italian vote, a call for a New Bretton Woods, issued by Schiller Institute President Helga Zepp-LaRouche, has been circulated worldwide, and has garnered signatures from lawmakers, diplomats, former government officials, and others from many countries, including the two Italian Parliamentarians interviewed below.

The full call and the list of signators can be found at www.bueso.de.

Interview: Alessandro Delmastro delle Vedove

Alessandro Delmastro delle Vedove is a lawyer in the city of Biella, in Italy's northern Piedmont region. He was elected to the Chamber of Deputies for the second time in 2001, as a representative of the National Alliance (Alleanza Nazionale), the conservative party led by Gianfranco Fini, the Foreign Minister in Silvio Berlusconi's government coalition. He is a member of the Culture Commission and Transport Commission in the Chamber, and has intervened in the Parliament many times, on economic matters, speculation, Argentina, and other issues, using analyses developed by EIR.

This interview was conducted by Paolo Raimondi in Rome in late May, and translated from Italian.

EIR: I would like you to begin by giving us your evaluation of the national and international importance of the debate and

vote in the Chamber of Deputies on the New Bretton Woods motion, and telling us about your support of the motion as a member of a party in the current government coalition.

Delmastro: I will tell you something which may seem obvious: I said that everyone who thinks the free market has the ability to regulate itself, has to realize that this is not true. This does not mean being a dirigist, socialist, or communist; rather, it means that, as a number of rules were written at Bretton Woods in 1944 and worked well for a certain period of time, the same thing must be done again today. If we don't want to call it Bretton Woods because somebody does not like this name,¹ that's not important. We can call it whatever we want, but it is clear we need a set of rules. If we do not agree on something that is so obvious and simple after Parmalat, Cirio, LTCM in the U.S., Argentina, and so on, I don't see what we need to wait for. Maybe the speculators have to come into our homes and steal our wallets from our pockets. . . .

I also believe I said things that are not so special, but simply represent common sense. The drama in today's world is that there is no room for common sense, or it encounters great difficulties. Now, I believe that the debate in the Chamber of Deputies was the most important discussion of the current term of the legislature, without any exaggeration. Because if you compare this debate with all the laws and provisions we vote on every day in the Chamber, we see that here we finally dealt with the international monetary order and the need for rules which should govern international finance. Without such rules, as recently became clear, it is no longer possible to imagine serious and solid economic development that can combine the legality of profit for those who believe in free enterprise, with the necessity of solidarity, which is the basis for creating jobs and providing serene living conditions for all working people.

Without these rules, as we have seen in recent decades, we are moving towards wild speculation and a global systemic crisis—the crisis of all economies—and as in the case of Argentina, towards a default of an entire country. Regarding these defaults, we have to look a bit closer, because we haven't learned much from the case of Argentina. We also have to reject the disgraceful attempt of the most important Italian and international economic press to set 450,000 Italian small investors against the people and government of Argentina. This is not only an economic and legal mistake, but a true

1. The parliamentary resolution as submitted originally called for a New Bretton Woods, but this formulation was omitted in the bill as it was finally passed.

disgrace, because I do not believe the people who support such positions are in good faith.

The truth is that Argentina went bankrupt because it was strangled and suffocated by the International Monetary Fund (IMF) and the international banking system. The truth is that 450,000 Italian small investors did not know anything about these bonds until one minute before the unscrupulous bankers sold them the bonds. We should remember that many Italian courts have issued judgments, such as in Venice (against Deutsche Bank), Cremona, Genoa, and Ferrara, against certain banks that violated all of the laws regarding the distribution of financial products, including information on risk, and literally defrauded the small investors. These banks were sentenced to reimburse both the capital and interest.

I speak of fraud, and not only guilt, because even as little as two months before the official declaration of default, all our banks, as is demonstrated by the results of the visit of a Chamber of Deputies delegation to Argentina a few months ago, sold the bonds in their possession. They had information about what was coming, and yet, they still called their clients and convinced them to buy these bonds. This is a fact with criminal implications. In such a situation it is despicable to call for a war against the government of Argentina, whose first duty is the defense of its people, and can only offer 25% of the value of the bonds; although I recognize this is an unacceptable amount for the small investors.

It's despicable because if I apply bankruptcy rules in such a case, the first principle which comes to mind is that of *par condicio creditorum*. The immediate consequence is that the IMF, instead of demanding payment not only of the capital but also of interest, has to get into the same line as the small investors while waiting for a solution.

Unfortunately the usurious world system rejects this, and the IMF succeeded in getting part of the interest. It is clear that our country, which has a representative at the IMF, has not done what it should, and it is also clear—from their silence—that the international economic media does not want to face the real problem: There was massive fraud by the banks and the IMF. One cannot provoke a war between the poor; justice must be reestablished, and rules must be written to prevent countries from being impoverished by organizations like the IMF.

I remember that some time ago, there was an attempt—which unfortunately was aborted—to establish an alliance between Argentina and Brazil in dealing with the IMF. There were contacts between [Argentine President] Kirchner and [Argentine Economy Minister] Lavagna on one side, and [Brazilian President] Lula on the other, in an attempt to find the unity to finally say: We are no longer able to pay a usurious debt. Unfortunately, it seems that Brazil got a bit weakened on this project. I understand also why, because I am a criminal lawyer and I am often involved in trials regarding usury, and I understand the weak position victims of usury find themselves in. If the usurer can also count on the support of the media, it's clear that you will lose.

In addition to Argentina, there are also all the other cases we mentioned, such as Cirio, Parmalat, LTCM, and Enron, that are similar to Argentina. This means that the world can no longer continue with an economy which is virtual and based on usury at the same time. We must return, including from a philosophical standpoint, to the concept of real economy.

You see, I come from a region which has industries that are important and profitable because of the intelligence of the entrepreneurs and the abilities of the working people. At a certain point, we went towards a situation in which even some small entrepreneurs began to think they could produce profits, not with investment, intelligence, technological research, and collaboration with the working people for the common good, but simply by buying and selling financial instruments. Why?

If we don't lose our memory, we can recall that many years ago, the papers reported that even in high schools, students were asked to collect money to buy shares on the Stock Exchange, and then to sell them few days later and make a profit. This ignores the fact that the Stock Exchange was created not with the aim of short-term financing, but rather for medium- and long-term investments in important ideas and in entrepreneurial capabilities. It was transformed into a hit-and-run system where maybe 5,000 people know what is happening ahead of time, and the others—millions of small investors, families, and unlucky wretches—are enticed into giving their savings, retirement pay, the fruits of their labor and enterprise, just to then be punished by speculators in the medium term.

From all this, I conclude that, without endorsing socialist, communist, or dirigist doctrines, it is indispensable to establish a system of rules at a global level. On the criminal side, for example, there should be stronger punishment for the crimes of speculation and usury. I presented a legislative proposal on this point, because these crimes affect not only individuals, meaning small investors, but above all they affect the country's economy.

The debate we had in the Chamber, including my intervention, demonstrated that the Parmalat, Cirio, and Argentine bonds cases alone, have affected about 1 million small investors; that means 1 million families, or about 3 million people who saw their money go up in smoke because of a system without rules and controls. In Italy, we also need to mention the inefficiency of the Consob [the equivalent of the Securities and Exchange Commission in the United States], and the Bank of Italy, which is now the last old-style empire still existing. Even in the Vatican, there is discussion over whether the Pope should remain in his position until death. [Bank of Italy Governor] Antonio Fazio, however, seems to sit somewhere between God the Father and the Holy Spirit. . . .

And we see the subjugation of all the political forces to the Bank of Italy, including my own party, National Alliance. We get the feeling that financial speculation is against the real economy by definition, because the real economy is considered a waste of time, as making a profit means investing time

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and hard work, while speculation eliminates time and hard work, and at the same time multiplies the profits. Whoever has an idea of how the LTCM operation worked, knows how a gigantic bubble was created from nothing, through the system of leverage. This is because there are no rules and no controls.

EIR: Regarding the de facto bankruptcy of General Motors and the downgrading of its debt to the level of “junk,” a gigantic speculative derivatives bubble has emerged involving hedge funds. It is a situation of “red alert” for the entire financial system. In this context, Lyndon LaRouche, the founder of *EIR* and initiator of the New Bretton Woods campaign, has re-proposed a tax on all derivatives transactions, something which he already did at the beginning of the 1990s, with the aim of bringing the derivatives exposure of the hedge funds and banks out into the open.

Delmastro: I believe that it is a good idea. We only need to make a distinction between a tax on these speculative transactions and a tax on so-called legitimate financial income, such as income from investments in bonds and other normal instruments. I say this because in Italy right now, there are people who want to carry out a tricky simplification and demand an increase of taxes on legitimate financial gains. We have to distinguish between the small investor, who invests in the shares of a productive company, and those who are involved in merely speculative activities. A productive firm develops ideas and new technologies, and somebody investing in this supports the idea of innovation. On the other hand, we have to punish those who buy cocoa on the Hong Kong market in the morning and sell it in the afternoon, usually without having any money. On this basis, I express my support for LaRouche’s proposal.

I would like to take the opportunity here to speak about a specific Italian issue which I believe has provoked laughter in the rest of the world. When the deal between GM and Fiat was signed, which was also fully supported by the left political forces here, I said that this was a marriage between two sick people, one with syphilis and the other with AIDS, in an economic sense. Very few people in Italy know that GM’s debt is greater than \$310 billion. It was already foolish to think of a GM-Fiat marriage, including the relocation of production. And then an indebted GM looks at Fiat’s books and says that it is ready to pay \$1.5 billion in order to pull out of the purchase commitment; this is a clear indication that Fiat is also at the end of the road.

Another indication is that 27% of Fiat shares are no longer in the hands of the Agnelli family, but are now held by the banking system. These bankers are not interested in production; they are only interested in financial returns. They will not emphasize research and investment in technology; they will simply emphasize financial gains. This reflects the detachment from the real economy, accepted by almost everybody, with the illusion that one can create wealth from nothing and with nothing. This is not the case, because God has told us that we must live by our work and toil. We thought we could eliminate work, intelligence, and toil, and still go on.

EIR: People like George Shultz, and others in the Bush Administration, are pushing for the privatization of Social Security, the American pension system, which would mean giving trillions of dollars of savings to the financial sharks of Wall Street. This will lead to the destruction of the Roosevelt Social System where the state has an important role, and will also represent the greatest fraud in history. . . .

Delmastro: There’s no doubt about it. I wonder how it’s possible to decide on something like this without the consensus of the legitimate owners of this money, and I think this would create a very risky situation. A worker has paid into the central pension fund for 25 years, with low but secure interest, and he cannot accept having those savings—because they do represent savings—transferred by the government to a private financial entity and a sector which is risky by definition. . . .

If I’m a worker, what guarantee do I have when we see so many financial crises and bankruptcies all around us? What will happen if the system crashes? Is there a guarantee from the state, the way there is now, or will I be left alone with my new bankrupted financial partner? As I said before, we are dancing on the deck of the Titanic while the iceberg is getting very close; many small icebergs have already hit us, but they haven’t woken us up yet.

It is the system that is in trouble. Like the process of privatization—and I am from Alleanza Nazionale, which is not dirigist or socialist, nor much for free trade. I am for a free market with definite rules that safeguard the interests of society. Savings in the form of future pensions are the most sacred thing that must be protected and respected, because they are the result of the work, commitment, and toil of a worker, and a guarantee for his old age.

This privatization is an economic crime coherent with the

needs of a market continuously in search of good money that it can transform into virtual and speculative money. This market steals good money anywhere it can get its hands on it. In this context, the LTCM case is very illuminating: Here, some real money, real capital, was used to create a whirlwind of speculation which could only produce disasters, except for the few managers that knew how it would end up from the very beginning.

EIR: After the discussion in the Chamber of Deputies, what steps do you think we must take at the national and international levels? We have created an Ad Hoc Committee for a New Bretton Woods, initiated by Helga Zepp-LaRouche, President of the Schiller Institute. This call, which you have signed, is garnering support internationally. The news of the April 6 vote in Italy has caused great interest in a number of countries in the developing sector, such as the Philippines, for example, but also in Europe and in the Americas.

Delmastro: During the discussion in Parliament, I realized that many people consider it a debate among intellectuals, with little connection to daily life. Since I believe that actually, the problems in daily life can only be solved by dealing with these big problems, I think the supporters of the New Bretton Woods should consider it an absolute necessity to inform people that this is not a completely academic discussion, which involves only 100 economic experts. Rather, it must involve everyone who realizes that the changes in recent years require rules that are absolutely fundamental for the concrete, daily life of each citizen: I believe that this intermediary step, which is sometimes underestimated by the supporters of such a solution, is absolutely essential.

EIR: The financial crisis is affecting everybody: In Italy alone, in about one year, the Parmalat and Argentina bankruptcies and derivatives frauds affecting middle-size industries, led to a loss of \$50 billion for families and the country.

Delmastro: This proves that these events affect daily life: Afterwards, our government tells us there is no money for this or that program. The first step has to do with the media, because the most important economic media, which depend on these speculators, have imposed a veil of silence over these problems. We have to break this silence. Then, as we saw in the debate, the government couldn't say the issue was exaggerated, but felt compelled to accept the nature of the argument, while only trying to limit the commitment we wanted from the government itself.

I intervened to say that the commitment of the government—which is my government—would be insufficient if it did not take some concrete form. The government should begin to get organized, and it should also instruct the Italian representative at the IMF, for example, to take the appropriate position on these matters. The representatives in these international institutions have to be instructed to become promoters of the indications given by the Parliament. It is unacceptable that in a democratic country like Italy, after

the debate and the commitments made, our representative at the IMF does nothing.

In the coming months, I commit myself to asking the government: What steps have been taken in this direction, that allow me to say that the commitment made in Parliament was followed up by concrete actions? Governments will have to work in synergy, increasingly interacting with the countries which are most affected by this systemic crisis, and with those continents which suffer the most pressure from the IMF and the banking system. It is not enough to propose the cancellation of their debts every once in a while.

I want to return to the fact that I am a criminal lawyer; the classic manner in which usurers function is the following: After having lent \$100 and gotten \$1,500 back in interest, they cancel the rest of the debt because they realize the debtor is crushed and nothing is left over. The world “usurocracy” must be fought by governments that collaborate with the productive sectors of the economy, to return life to the real economy. It is legitimate to make a profit, but it must be done with work, technological investment, intelligence, the construction of factories, and real production and jobs. It can not be done with financial speculation. We already have the state lotteries which are miseducating people, and now we see the creation of new private world lotteries beyond any control.

Interview: Oskar Peterlini

Sen. Oskar Peterlini is from Bolzano, in a region of Italy where most of the inhabitants speak both German and Italian. He is a leader of the South Tyrolean People's Party, on whose slate he was elected to the Senate. He sits on the Labor Commission, and has also worked as a leader of a regional pension fund for many years. Peterlini has introduced a number of motions into the Senate calling for a New Bretton Woods, and has used material from EIR to present other initiatives and parliamentary questions on various strategic and economic issues.



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EIR: You have seen that the Chamber of Deputies has approved the motion for a New Bretton Woods. In recent months, you introduced a similar initiative on the floor of the Senate. What can we do to give more impetus to the discussion and get the government more committed to act?

Peterlini: I think the main objective in the Parliament [both Chambers] was achieved: that of making the entire political

world aware of the necessity of a new financial architecture at the global level. If the motion is actually voted on or not is very much linked to internal Parliamentary rules. In the Chamber of Deputies, these rules are easier to work with, while it tends to be more difficult in the Senate. We have collected signatures in support of the motion in both the Chamber and the Senate, from individuals in parties from all across the political spectrum. We also have to decide how to continue; particularly in terms of bringing public opinion and society into the discussion.

I would like to reference a sentence pronounced by [Prime Minister] Silvio Berlusconi in the Senate recently, which really astonished me. When he was demanding a vote of confidence for the law on economic competitiveness, he said there is a difficult international situation, and noted that one of the main problems of the Italian economy is related to exports, which have declined by 30% because of the devaluation of the dollar. At this point, he spread his arms and said he is an entrepreneur, and that he has no idea what to do about it.

This is honest, but at the same time, it's a scandalous acknowledgement. To say that he does not know what to do in a closely interconnected political, diplomatic, and trade situation, is—at the least—a very poor answer. What has to be done is clear and urgent, because with the collapse of the dollar, Europe, and Italy and Germany in particular, are now paying for the U.S. deficit with the losses and difficulties of our industries and the *Mittelstand* [small- and medium-sized industry] in world trade.

At the diplomatic level, the first step is to put pressure on the U.S. Administration and say that this is unacceptable. At the same time we should not continue to go arm-in-arm with Bush and talk about exporting democracy or working on “peacekeeping missions” which are really the continuation of the war, such as in Afghanistan and Iraq. Bush has to be told: We cannot pay your debts, but together we must look for a real solution to the systemic crisis.

The economic answer that we must develop together is what *EIR* and the LaRouche movement have been promoting for a long time. After all these economic crises which have hit national economies as well as small investors and families, let us convoke—as soon as possible—a global conference similar to what was done at Bretton Woods: to re-establish a financial order and a new agreement on currencies, whose values should be fixed or adjustable within a certain specific margin. It is unacceptable that the exchange rate of one currency sets the entire world economy upside down. This sort of currency arrangement has already been done on a smaller level in Europe in recent years, and it would be appropriate to also do it at the global level. It's an important aim that our governments should pursue.

EIR: In the recent period, we have entered a “red alert” on the financial markets: We already know about the gigantic speculative bubbles, the role of derivatives that, according to official figures, are growing by 25% each year. Now, regard-

ing the collapse of GM and Ford, we see that together they have \$451 billion in debt, which is now rated at the level of “junk.” Large-scale turbulence is shaking up the hedge funds that have large speculative operations based on GM bonds. The situation is much worse than the famous LTCM case. This is another manifestation of the systemic crisis. You have studied the danger of these speculative bubbles: How do you see the gravity of this situation?

Peterlini: You have already described the gravity of the situation. I see a repetition of these problems on the markets, in particular in sectors where people believe they can make huge profits, and thus runs are taking place in those sectors. At the end of the 1990s, with the success of the Internet, everybody thought that they could make huge profits on these shares, and a run began, driving up share prices. Everybody got involved in this run, even housewives and students with a PC at home. This game goes on until someone realizes that this value is virtual rather than real.

This happened with stocks, and it is now happening on real estate markets, where there is increasing demand and speculation. And, just as in Japan or London in the past, this has produced an overheating of these surreal values, to the point that they explode. This period of so-called self-regulation then provokes a drastic collapse in the economy and also in family budgets. Now, this is also happening with hedge funds. They exploited the 1990-93 phase when institutional investors (pension funds, investment funds) began to work on stock markets for a number of reasons, as reflected on the American Stock Exchange, for example, or the S&P 500, and so on.

Investments were thus dependant on these groups of shares, whose values increased and then collapsed. During the collapse phase, those who had invested only in this type of shares lost everything, while the hedge funds had bet on the directionality of the market, and thus they still profited.

Derivatives operations, like futures, are not scandalous in themselves. They were used in agriculture to guarantee a certain price to the producer, for example. What is not normal is multiplying the bets on the derivatives, or making this into a sector that functions on its own. The result is that if you take a lot of risk in order to make a huge profit, you also get gigantic financial losses if things go in an unanticipated direction.

We need an authority which regulates these processes, possibly with the joint intervention of monetary authorities from different nations. If the markets are left free to act as they want, the result is the creation of these bubbles.

EIR: Lyndon LaRouche is relaunching the idea of a tax on all derivatives transactions of hedge funds and banks, to bring the dimensions of the bubble out into the open; this transparency is needed so that the necessary measures can be taken. It's not the “Tobin tax” proposed by some, which is conceived as a way of collecting funds for some project.

Peterlini: This is certainly a more intelligent proposal than what is being debated here regarding increasing capital gains

taxes at a national level, without any differentiation between what is pure speculation, and what is serious investment in the shares or bonds of a productive firm or the state. In this way one also affects small investors and families, with no positive effects on the economy. To the contrary, I support the idea of an intervention by monetary authorities for a higher tax which punishes speculative financial operations.

LaRouche's proposal is a strong idea, and it can definitely be implemented. I also think that there must be a clear differentiation between shares and bonds on the one hand, and speculation on the other. And there should be a better understanding of the different types of derivatives operations. . . .

EIR: The Bush Administration is pushing for a total privatization of the pension system. Until now, the U.S. had the system created by Franklin Roosevelt in which a state fund received the payments from the workers and paid pensions to retirees based on a sense of the common good and general welfare and social justice. Bush has launched a campaign of lies saying that this fund is collapsing, and that younger workers should stop financing it, and instead open new private contracts with Wall Street financial institutions, which are currently in big trouble and have big financial holes. But in this way, Wall Street will receive fresh new money with which to continue its speculative operations.

Peterlini: We in Europe can learn many things from the United States, such as a certain form of mobility, decision-making capabilities, speed in the carrying out of ideas and entrepreneurial initiatives, because we have too much bureaucratic inertia here, too many brakes. This is the positive side.

However, we do not have to learn anything at all from U.S. social policy. Here, the "old" and often-slandered Europe is still a good example. We have a great culture based on Christianity and humanism, where there is room not only for the market, but above all for human beings. Fortunately, the "soup lines" I saw in many places in America, where people are waiting in line with a plastic plate to get something to eat, do not exist here in Europe, or are very limited. In America you can die in front of the hospital if you don't have money for health insurance; here, nobody dies like that. Even the poorest person, without any identification, money, or insurance can get to a hospital and be treated.

This is a basic difference that I will never forget. It is a great value which our Europe has. We are also confronted with a crisis of the pension system, because the state fund is financed by those who are working, creating a fund that then supports the pensions, the health system, unemployment, and so on. This was a very solid pyramid in the past: Many young people were working, paying contributions and supporting the elderly. This pyramid is not so solid any longer, because we have fewer and fewer children, and life expectancy has increased significantly. The fertility rate in Italy is 1.2 children per woman, while life expectancy has increased to an average of 80 years. In the past 300 years, life expectancy has increased from 40 to 80 years. In the future, we will have an

upside-down pyramid with few youth and many elderly, a share of about 30% of the population over 60 years of age, and also children and students who have to be supported.

This means that this traditional system alone will not suffice. We will need to introduce a second pillar in Italy and in Europe, based not on speculation but on savings, in which a person can choose to add to the state system by also having a private pension. Bush wants to say he *only* wants the second pillar, and this would be a catastrophe. The first pillar will have to guarantee a basic pension to allow for a decent life without dying in front of the hospital or standing in line for soup. This basic pension has to be guaranteed by the society, the state. And then, in addition to this, we can create a complementary pension system. To abolish the first pillar would be irresponsible, and I hope that Europe will never accept it, and will fight against what Bush is trying to do to the American citizens.

This reasoning then leads me to say that behind all of this, we need a productive economy, and therefore we must think about relaunching the real economy at the global level. And again we must get back to the proposal for a new Bretton Woods, because the "pyramids of paper" can grow, but they collapse the first time the wind blows. In the end, even when we're dealing with paper values, only the real economy counts. Financial games do not produce jobs, goods, and factories. We need a new financial architecture to prevent these "paper games."

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