
I. The Past Struggles with the Future

ZEPP-LAROUCHE WEBCAST

Banker's Coup in Italy Won't Stop Rebellion Against Bankrupt Empire

This is the edited transcript of the May 31, 2018 Schiller Institute New Paradigm webcast, an interview with the founder of the Schiller Institutes, Helga Zepp-LaRouche. She was interviewed by Harley Schlanger. A [video](#) of the webcast is available.

***Note:** Italy's President Mattarella reversed course and accepted a reshuffled Lega-Five Star government including Paolo Savona, immediately after this interview was concluded.*

Harley Schlanger: Hello. Welcome to the Schiller Institute weekly international webcast, featuring the founder of the Schiller Institutes, Helga Zepp-LaRouche. We're in a very fast-moving strategic situation, a lot of important developments going on, probably the most significant being the coup carried out this week in Italy on behalf of the European Central Bank (ECB), the European Union and the City of London. I think the broader implications of the situation in Italy are very poorly understood in the United States. Helga, why don't we start with that?

Helga Zepp-LaRouche: Yes. It is a dramatic situation. The President of Italy, Sergio Mattarella, has refused a government proposed by a majority-elected coalition of the Lega party and the Five Star Movement party because



Palazzo del Quirinale

Sergio Mattarella, installed as President of Italy by a previous, pro-EU government, initially refused to accept the proposed government of the majority-elected coalition of the Lega and the Five Star Movement.



CC/Filippo Vitani (2015)

Euro-critical Paolo Savona was rejected for Minister of Economy and Finances by Mattarella.

these two parties had selected Paolo Savona for Minister of Economy and Finances. Savona is an establishment figure. He began his career in the research service of the Bank of Italy, Italy's central bank. Among many other positions, he has been President of Confindustria, the industrialists' association of Italy, and he was Minister of Industry, Commerce and Craftsmanship in a previous government.

He was pro-euro in the beginning, but after he saw the terrible consequences for the Italian economy and society of the EU policies, and especially of the Eurozone membership for Italy, he turned into a euro-critical person, a

so-called “euroskeptic.” He says that just as it was done to Italy by the Versailles Treaty of 1919, the euro is now dictating terms to Italy; it is a complete debt prison for all the nations affected by it.

Savona has said that therefore Italy needs a Plan B, but he made totally clear—before the possibility of becoming a minister came up—that he did not intend for Italy to leave the euro, but that, together with the other affected south European nations, he just wanted Italy to negotiate better conditions: to stop the austerity, to have investment in the real economy, and to renegotiate the Maastricht Treaty, the Stability Pact. But that was obviously too much for Brussels. It exerted pressure on Italian President Mattarella to reject Savona and his plans, especially via ECB President Mario Draghi, who was mentioned in the Italian media.

This is incredible: Here you have a government elected by a majority of the people. When Mattarella announced he could not agree to this new government, he said that it was because the presence of Savona would worry foreign investors. This has caused a complete scandal and also a complete backlash, because such a blatant,— democracy has been shown not to exist in the Eurozone!

This is not the first time this has happened to Italy. In 2011, German Chancellor Merkel and French President Sarkozy asserted similar pressure to get then Prime Minister Berlusconi squeezed out of office, leading to the Monti government, which has imposed austerity and



Mattarella’s initially designated Prime Minister, Carlo Cottarelli.

www.qirinale.it



Austrian President Alexander Van der Bellen.

dramatically increased economic hardships in Italy ever since.

The Italian situation is now desperate, and the people are very upset. A poll in parliament showed that a technocratic government under Mattarella’s newly designated Prime Minister, Cottarelli, would get zero votes—that not even the Democratic Party (PD), which lost the election, would dare to vote for him in this climate, but would abstain, so it would have ended up making what they call in Italy a *brutta figura*, a horrendous impression, with Mattarella completely losing his reputation, should he insist on Cottarelli.

Now the options are to try again to form a coalition government composed of the Lega and the Five Star Movement. If that happens, early elections will take place as soon as September or October. I don’t think it’s realistic to expect elections by the end of July, because every Italian will be on vacation. The likelihood is that these two parties will increase their vote because of what has just happened. So this operation has completely boomeranged and backfired against those who tried this coup.

This is really discrediting the EU. It is now being revealed that the EU had already tried the same thing with the Austrian government, except that the Austrian President, Alexander Van der Bellen, flatly refused such an intervention.

Such are the tactics of Brussels. They’re completely against the interests of the member countries, and this is becoming increasingly clear.

Economics Behind the Italian Scandal

Schlanger: Outstanding in its hypocrisy, is that here you have people who say that “we have our democratic traditions” and yet, here you have a vote—what’s more democratic than a vote?—which gave a majority to two parties, which were then denied the right to form a government because it went against what the bankers and the markets wanted. That’s why it’s correct to call it a “coup,” and it’s very similar to what we’re seeing with Russiagate in the United States, where the establishment doesn’t like the direction the President wants to take, so it’s trying to get rid of him.

Helga, I want to explore a couple aspects of the economics here, because I think this is really critical for everyone to understand. We’re told that austerity regimes will reduce the debt, but they actually have the opposite effect.

Zepp-LaRouche: Yes. Italy was a country which had no foreign debt before it joined the euro. But with the imposition of the Maastricht rules, Italy is now in a *terrible* economic situation. Take one typical parameter, youth unemployment. I think about 50% of Italian youth have neither an education nor a job.

Two of out of three young people between the ages of 18 and 34 years old are still living at home, because they cannot afford their own apartment. They’re called the “*mammoni*,” the “mama’s boys.” This has led, among other things, to the situation that Italy, which is after all still a Catholic country, has the lowest birth rate in all of Europe, so its population is rapidly collapsing. The young adults who are living with their parents can’t afford to marry, can’t afford to raise a family; many middle-level industrialists have committed suicide—the economy is in very bad shape. The health system is terrible. Italians no longer have adequate medical care.

So Italians are turning to these two parties that are criticizing the austerity policies and are instead promising to implement Glass-Steagall, because this is not only in the party program of both parties—the Lega and the Five Star Movement—but it is also in the coalition contract between them, as is the call for the creation of a bank for investment in real production. So, while these parties are problematic in some respects, and have problematic people in them—I’m not saying what has happened is a wonderful outcome—they are clearly more reasonable than what the Brussels policy is right now.

And, as you can see, there is right now an attempt at



serious financial warfare against Italy: On May 25, for example, Moody’s threatened to further downgrade the Italian debt, which is already only two notches above junk level, and today, they basically ordered a review of the twelve largest Italian banks. This maneuvering has to do with the fact that the spread of the debt with respect to Germany and other countries has increased by 300 points, which makes it more expensive for Italy to take on any more loans, which in turn just makes the situation even worse.

It’s difficult to say what will happen next, because now there is also talk about the Italian contagion spreading to Spain, to Greece, and to Portugal. So I think we are really in a very dramatic situation, and people should think. This is a time to reflect. You have funny reactions, terrible reactions, such as from EU Budget Commissioner Günther Oettinger, who proclaimed, “The markets will teach the Italians a lesson on how to vote.” This caused an uproar, and naturally everyone is pointing at Germany, pointing at Brussels.

This has created just a terrible disunity in Europe, and even people such as Paul Krugman, a professor of economics at City University in New York and a columnist for the *New York Times*; and Wolfgang Münchau, an associate editor at the *Financial Times*, both said that Matarrella made an awful mistake. The *Wall Street Journal* said this was an awful mistake, because it will just lead to an increase in the vote of the so-called “populist” parties the next time.

We are in a very dramatic situation, and I think it's high time to reflect on the need to correct the neo-liberal policies, because if this does not happen, only chaos can result. Therefore, implementation of Lyndon LaRouche's [Four Laws](#) throughout the entire trans-Atlantic zone is now more urgent than ever.

Recognize the Failure of Maastricht

Schlanger: There's also a problem when you get commentators and political leaders who respond to the vote of citizens by saying, "Well, it's ignorant populism," when in fact, people are losing their savings, they're losing their homes. When Italy was hit with disasters, including the earthquake, Italians were told by the EU that they were not allowed to rebuild their power stations.

Helga, you mentioned the banks. Not that long ago, a bail-in was conducted in Italy that took away the savings of people. This is why you have the two parties supporting Glass-Steagall. As I understand it, and maybe you have a better reading on this, one of the reasons for the freak-out reaction from Brussels was precisely that the EU Constitution doesn't allow Glass-Steagall, and yet the Italians are saying they want Glass-Steagall to make sure the banks serve the interests of Italians. Is that part of the problem?

Zepp-LaRouche: Absolutely. Under the EU rules it is not possible for Italy to implement Glass-Steagall, so therefore, Italy would either have to leave the euro, or the EU would have to change. That is very, very clear. Also, these two parties are for ending the sanctions against Russia, so they have a similar intention—as does President Trump—in putting relations with Russia back on a good track.

So I think this matter is not resolved, but rather is an expression of something extraordinary happening. It is indeed becoming a subject of discussion, and not only in Europe.

In the Chinese paper *Global Times*, a very interesting assessment viewed the Italian development as a reflection of the crippled Western liberal system. It said that the Western politicians care more for their own political game than the well-being of their people or the development of their countries, and that the Western politicians try to cling to power by every means, with slanders, with collusion, with interest groups, even with conspiracies, while at the same time, they point their



UN/Kim Haughton

French President Emmanuel Macron depends on German support for his pro-EU plans.

finger at the political system of China, where China is in fact doing everything it can to lift up its own people and develop the country. And *Global Times* asserts that the Western politicians should instead take care of their own domestic crises, rather than projecting stereotypes against China.

So I think that the Western liberal/neo-liberal model, the geopolitical model, the oligarchical model, is in a crisis. It is becoming a subject of global discussion. Even three years ago, when I attended a conference in India, there was a lot of discussion about the EU no longer being a model to follow, that the way the EU has handled the refugee crisis was just completely horrible, and that there was no European unity!

Emmanuel Macron's election victory last year as French President was celebrated by all the mainstream media as proof that the pro-European ferment in Europe was coming back, that all the anti-European critics were on the losing end. But this turned out to be not the case, because first of all, Macron depends on German support for his pro-European plans. But there are many voices now in Europe who say, "We are against the common budget, we are against the banking union, because it means that the savers of those countries that are doing better—i.e., Germans—have to pay for those that are doing badly." So Macron's plans are out the window. They have a zero chance of succeeding.

The alternative is what we have been saying the whole time: The EU in the form of the Maastricht Treaty was a mistake; the euro was a mistake. Before he died in 2014, we were in discussion with Prof. Wilhelm Hankel, the former chief economist of the Kreditanstalt für Wie-



BUESO-TV/Stefan Tolksdorf

Prof. Wilhelm Hankel, former chief economist, Kreditanstalt für Wiederaufbau.

deraufbau, and even before the euro was introduced, almost twenty years ago, we both agreed that the European Union area was not an optimal currency zone, for the reason that it would encompass some countries that were not developed at all, some that were highly industrialized, and some with more of an agrarian character.

The promise that a European Union would lead to lessening the diversity of development in Europe was never a realistic idea. Now the diversity is even bigger; the rich have become richer, the poor poorer. Even an analyst at Commerzbank observed today that the euro is still an experiment which can fail—exactly what Professor Hankel had predicted.

I have proposed, for a very long time, replacing the Maastricht Treaty with an alliance of sovereign republics in the spirit of Charles de Gaulle, because I believe we can perfectly work together as sovereign countries for a common policy, not for Europe as such, but for what Xi Jinping calls the common aims of mankind, or the “shared community for the future of humanity.”

The New Silk Road would be the umbrella under which to work together, where all the European countries could, in a win-win cooperation, cooperate with China in the development of all the other countries, of Africa, of Southwest Asia. We should now quickly and rigorously implement the Four Laws of Lyndon LaRouche—Glass-Steagall, a top-down, thoroughly defined National Banking system, a credit system, a crash program to increase the productivity of the economy by turning to a fusion-power based economy as quickly as possible, and then cooperate in joint developments of the New Silk Road. It would be relatively easy and absolutely doable. But we have to mobilize the political will to do it before it’s too late.

The Powder Keg

Schlanger: Two things stand out that I think need to be underlined. First, yesterday you used the term “arrogance of power,” that the bureaucrats in Brussels, and the bankers in the City of London and Frankfurt seem to think that they know what they’re doing, that they have the authority to carry out failed policies—and when the electorate votes against their policies, they say the people are wrong. The second concept that you also brought up, is the hypocrisy about democracy: They lecture the Chinese and the Russians about “democracy,” when in fact, if a vote goes against the elite in the West, they try to overturn it. They’re in fact carrying out regime changes now in the West, including in the United States.

Helga, one other thing on Italy. You mentioned the idea of “contagion.” The two most immediate places I can think of that could be so affected, are Spain, where there’s a no-confidence vote for the prime minister tomorrow, and Germany, with what’s going to happen with the German banks, if this Italian situation continues to cause chaos on the markets. Can you take up those two questions?

Zepp-LaRouche: There is a lot of talk about the state debt, public debt. Naturally, the German, the French, and the Belgian banks are the most affected by the fact that they’re holding Italian bonds. But that is a relatively minor problem compared to the nonexistent values of the derivatives in their portfolios. Deutsche Bank is in a very difficult situation. It has a new CEO, who is trying to shed the investment bank part of Deutsche Bank, but in the last two decades Deutsche Bank has become almost entirely an investment bank. So I can only guess that in order to change that, when Deutsche Bank still has such a large amount of so-called “Level 3” derivatives—derivatives having no market value because they essentially can’t be sold—shedding them could be a trigger for a major eruption of the crisis.

Deutsche Bank stock just fell below the psychologically and economically critical point of 10 euros per share.

We are sitting on an utter powder keg. You have the Italian crisis, which is unresolved. The Greek situation is basically back on the agenda with big social unrest. There is unrest in France against Macron. Spain is now very unstable politically. Tomorrow is the vote of no confidence that could also trigger developments. Then you have the corporate debt mountain everywhere. So,

all parameters are much worse than in 2008, and therefore the urgency, given the fact that the European and the American banking systems are absolutely interwoven and represent a cluster risk. Once you have a financial collapse, the entire financial-economic system could quickly melt down.

That again makes urgent, as I said, Glass-Steagall and the other reforms the Schiller Institute has been organizing for, for many years.

North Korea in Win-Win Context

Schlanger: A situation that seems to be moving in a relatively positive direction is the reopening of talks between North Korea and the United States. The South Koreans are involved, the Japanese are involved, and of course the Chinese are involved. There's talk that the June 12 summit may be revived. What's the latest you have on the Korea situation?

Zepp-LaRouche: It looks indeed very promising, despite efforts by the warmongering mainstream media to ridicule President Trump for postponing the summit and then soon after putting it back on the agenda for June 12. The situation looks very, very good. Russian Foreign Minister Sergey Lavrov, currently in North Korea, said that Russia would help to make sure that the process of gradually denuclearizing and gradually lifting the sanctions, which obviously requires a very good management and good diplomatic efforts, takes place in harmony. As you say, the Chinese are involved; also Japan is very interested, and President Moon Jae-in from South Korea has really contributed, mediating a lot between North Korea and the United States.

So I think there is the intention by all involved to make the summit a success. Our friends in South Korea are completely enthusiastic, reporting that the mood in the population is one of extreme happiness about this process of potential unification with the North. And the promises of China, of Russia, of the United States to turn North Korea into a rich country by industrially developing it, is also generating a tremendous mood of optimism in North Korea, so that our friends think it is completely impossible to reverse the process, because for Kim Jong-un to not go in this direction when the whole thing is the spirit of joy and development, is just very unlikely.

I think it's very important that, with the New Silk



Korean Central News Agency (KCNA)

North Korean leader Kim Jong-un (l.) with Russian Foreign Minister Sergey Lavrov, May 31, 2018.

Road as an environmental framework for the North-South Korean developments, it is a completely different dynamic than existed with German unification in 1990 which also held out a great promise, which we called the “Star Hour of History,” one of these rare moments when you can really change historical developments. But then, we know what happened. Because of Bush, Thatcher, Mitterrand, and the international banking system, the chance was missed. “Shock therapy” was conducted against the new, eastern states of Germany, leading to a complete deindustrialization, from which the East has not recovered to the present day. And it came in the context of the general deindustrialization of the European Union implemented by Maastricht.

So I think this Korean situation is much more hopeful than the outcome of German unification, which is still really a shame, and needs inspiration. Maybe we can import the Korean spirit into Germany.

Flush the Augean Stables!

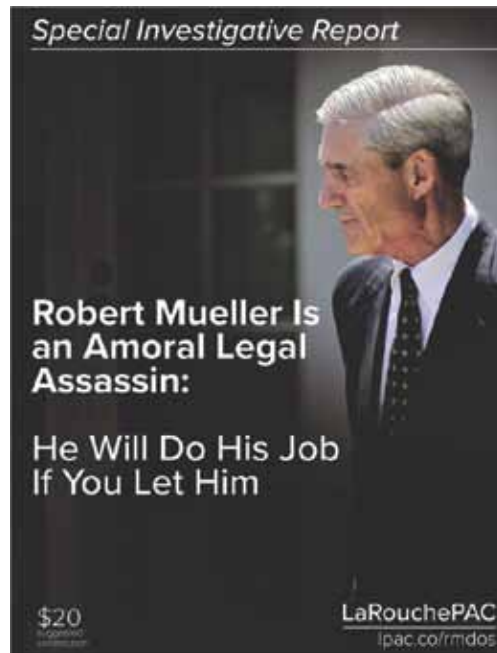
Schlanger: And that network you identified as running the operations against Germany, is the same grouping currently behind Russiagate, and the efforts to tie Trump's hands and keep him pinned down and under the control of the neo-conservative/neo-liberal network.

There are some developments around Russiagate with U.S. Senator Chuck Grassley's exposure of a triumvirate of MI6-CIA operations, including Joseph Mifsud, Alexander Downer, and Stefan Halper. We're now in the

second year of Special Counsel Robert Mueller’s investigation. Where do you think things are going? What do you think has to be done to break this open? We have just begun to circulate a new “[Memo to President Trump](#),” calling for declassifying the documents. Do you think that will create the needed effect, Helga?

Zepp-LaRouche: Absolutely. Because it is now becoming almost a commonplace view among certain circles that this is a British coup. There’s a very interesting article on Pat Lang’s website, [Sic Semper Tyrannis](#), discussing the plot to slaughter the Trump Presidency. Author “Publius Tacitus” says it was British intelligence, it was the GCHQ under the Joint Intelligence Committee, that’s doing it. This is exactly what we have published in two very important dossiers, the “Memo to President Trump” and the earlier “[Robert Muller Is an Amoral Legal Assassin: He Will Do His Job If You Let Him](#).” And the moment these documents are all declassified, there could be a complete catharsis enabling a cleanout out of the Augean Stables of real bullshit (or horseshit, for that matter). The legal consequences will be very important.

Senator Grassley has just announced that Glenn Simpson, Fusion GPS founder, lied under oath when testifying to Grassley’s Senate Judiciary Committee, falsely claiming that Fusion GPS did not do any more investigation after the election. And now, according to subsequently declassified FBI files, it turns out that Fusion GPS was hired even after the election by another outfit, Penn Quarter Group, to investigate Russian connections of Trump, being paid the not-so-peanuts amount of \$50 million for their efforts. So Glenn Simpson, for sure, will come into some trouble for



lying. Senator Grassley also announced that next Tuesday, June 5, Justice Department Inspector General Michael Horowitz will report on the findings of his investigation into the 2016 election campaign, including Hillary Clinton’s emails, Christopher Steele, and similar things. Horowitz’s report will be streamed live, by the way, for everybody to watch publicly.

There are still some surprises yet to be revealed publicly, and as one former FBI member said, these will be far worse than people expect.

As Trump would say, “this is a good thing and not a bad thing,” and therefore, I urge all of you who are watching this program, to help us spread it, help us by getting involved in the battle for a solution to have a new economic program: the Four Laws of Lyndon LaRouche, for the United States and Western European countries to join with the New Silk Road, because the solution is absolutely there, and mankind could create a new era of civilization if we clean out these Augean Stables and engage instead in some decent policies

of win-win cooperation among the sovereign nations of the planet.

Return to the American System, Adenauer, de Gaulle

Schlanger: And I think these things are going to continue to come out, because there’s more that’s hidden, including the role of people such as former CIA Director John Brennan and former Director of National Intelligence James Clapper. The Inspector General’s report is going to focus a lot on former FBI Director James Comey and former FBI Deputy Director Andrew McCabe. McCabe was fired in disgrace, and Comey,

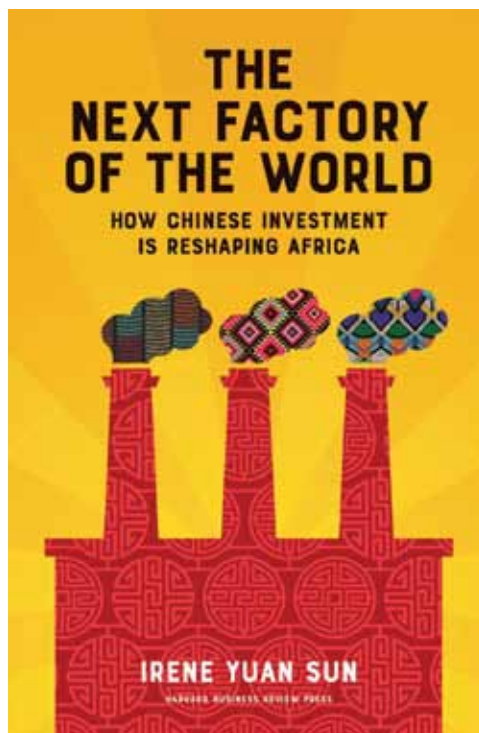
despite his attempt to do a book tour, is now seen as a real sad-sack. This thing could break wide open and take these networks down with them.

Helga, to conclude, you mentioned the importance of the North Korea and the connections to the New Silk Road. There are new reports coming out on the New Silk Road influence in Africa that I think point to the tremendous dynamic potential of the New Paradigm. I think it would be very useful for you to share a bit of that with our viewers.

Zepp-LaRouche: There are [new figures](#) out on the results of Chinese investment and development in Africa in the last 10 years, and there is a new book by Irene Yuan Sun about Africa, *The Next Factory of the World: How Chinese Investment Is Reshaping Africa*. And that is actually what many people are now starting to say—that, due to the Chinese engagement, Africa will be the new China of the coming period. And while I don't want to repeat all the figures here, they are very impressive. By the end of 2016, China had created more than 100 industrial zones, 40% of which are in operation; 5,756 km of railways; 4,335 km of motorways; 9 ports, 14 airports; 34 power stations; and 10 large and about 1,000 small hydroelectric power stations. And a lot more is going on now.

This just shows that every poor country can be turned into a booming place if the political will exists. There was just a very important conference in Beijing, where the head of the International Red Cross, Peter Maurer, pointed to the fact that the Belt and Road Initiative, the New Silk Road, has an incredibly stabilizing effect on war-torn regions of the world, of areas which are either threatened by terrorism, or poverty, or war; that the Belt and Road brings peace and stability.

And I think this is also reflected in the fact that, for the first time *ever*, China has exceeded the United States in terms of expectancy of a healthy life. In China now, the expectancy for a newborn to have a healthy life—that is other than total life expectancy—is 68.7%, whereas in the United States it is 68.5%. Total longevity



is still a little bit longer in the United States, but it is collapsing, while in China it is increasing. And as we have said many times, life expectancy is one of the most important parameters that tell you something about whether an economy is developing in a good way or a bad way.

These are figures of the World Health Organization, and it is really telling that we urgently must do something different in the West. There is a very self-conscious discussion that the Chinese model is obviously doing much better than the Western model, and I think people should reflect on that.

I'm not saying we need to copy, but I think we should correct our own mistakes, and go

back to the traditions when we were functioning well, that is, the American System of Political Economy, in the times of John Quincy Adams, Lincoln, Franklin Roosevelt, and Kennedy; in Europe, Adenauer, de Gaulle. There were periods when our countries were examples of brilliance, of science and technological progress. And I think we really have to reflect on the fact that the push of the last 50 years, but especially the last two decades, in the neo-liberal deregulation of the banking system, profit-for-profit's sake at the expense of the general welfare, has been an utter mistake; it has alienated the people from the institutions, and it is reflected in what we saw with the Brexit vote, what we see with the Italian vote. The destruction will continue until we correct our mistakes.

Schlanger: I think that's a good place to conclude. As you've been saying, "catching the New Silk Road Spirit is not just good for longevity, but also makes you happy, it gives you a mission in life." And I think those who are watching this video and who are now working with the Schiller Institute, are out in front of the rest of the population. Let's bring the rest of the population up with us. Spread the New Silk Road Spirit. Thank you very much, Helga, and we'll see you again next week.

Zepp-LaRouche: Yes, until next week.