

Berlusconi loses fight with prosecutors, Italian government likely to fall

by Claudio Celani

Like his predecessors, Italy's Premier Silvio Berlusconi is going to be overthrown by corruption charges. Less than three months since its formation, his coalition government has collapsed in its first serious challenge to Italy's presently dominant institutional power, a group of prosecutors led by the Milan "Clean Hands" team investigating political and economic corruption. First, on July 15, a government decree establishing *habeas corpus* criteria for pre-trial imprisonment, was publicly rejected by the "Clean Hands" prosecutors led by Antonio Di Pietro, who virtually behaved as opposition leader.

Berlusconi was forced to withdraw the decree because his interior minister, a representative of the Northern League regionalist party, joined Di Pietro and threatened to open up a government crisis. Then, Di Pietro arrested a financial manager of Berlusconi's holding, Fininvest, and opened a string of investigations whose ultimate target is Berlusconi himself.

Berlusconi heads a party with the improbable name of Forza Italia—which could best be translated "Go Italy," as in a sports slogan—one of the new formations which stepped into the vacuum left by the shattered traditional parties. Among the other groups in his majority coalition are the Northern League, which rose to be a major force on the basis of a regionalist and nearly secessionist platform for the more prosperous north; and the National Alliance, an outfit which gathers political figures from the old Christian Democracy and the Mussolinian MSI party.

Berlusconi's coalition from the outset has had two contradictory faces—one favoring the pure British monetarist looting of the Italian economy which goes by such euphemisms as free trade and free-market economics; the other favoring a serious growth policy based on European and Italian infrastructural development. Failure to resolve this dichotomy has left Berlusconi open for the present assault.

The Venetian hand

Of course, the fight between Berlusconi and the Milan prosecutors is a power struggle. The corruption issue is a weapon which was first used in 1992-93 to destroy established political parties, such as the Christian Democracy and the Socialist Party; now, it is being turned against corpora-

tions, including Berlusconi's Fininvest media and financial empire, which used to evade taxes and bribe police officers who were supposed to investigate tax evasion. But, the crackdown on tax evasion is being carried out on orders of those same power factions and lobbies, connected to international financial markets, which in the last decade have consistently imposed record tax burdens, per capita, both on business activity and on families. Those same factions have tolerated, or sometimes promoted, "parallel" (i.e., black) economic activity which could exist only through tax evasion, and now are supporting the prosecutors' action with the idea that soon the way will be cleared to start another round of taxation.

A spokesman of this faction is Bruno Visentini. Visentini is part of the "anti-clerical" wing of the inner Venetian oligarchical faction which has supported the "Italian revolution" from the beginning, through mouthpieces such as the daily *La Repubblica* and the weekly *L'Espresso*. Visentini is on the board of *L'Espresso*, whose owner is international financier Carlo De Benedetti, as well as chairman emeritus of De Benedetti's computer firm, Olivetti. Visentini is also chairman of the Vittorio Cini Foundation, a key Venetian think-tank, and of the Wagner Foundation. He has been finance minister, and became famous after he forced every Italian shopkeeper to buy an automatic cash register, in order to keep a sealed record; the registers were produced by Olivetti, whose board Visentini never left. Visentini, historically a leader of the Italian Republican Party (PRI), the party of the International Monetary Fund, joined the "left" cartel against Berlusconi during the last elections.

On July 16, on the front page of the daily *La Repubblica*, Visentini attacked Berlusconi because he resisted introducing a "serious" debt-reduction policy (budget cuts and tax increases) and because of his "arbitrary but consoling conception which sees the reduction of public deficit as an automatic consequence of economic development." Of course, Visentini predicted, Berlusconi will lose the "confidence of the markets." Visentini is referring to elements of pro-growth policy, such as infrastructure development, which the Italian government indicated it considered a high priority, both as promoters of jobs and generators of more tax revenues. In order to push the government into retreat, an operation against the lira was started, which provoked a major capital

outflow and turned the screws to shift to a radical austerity package and to cancel all investment programs.

The real confrontation between the Italian government and international financial markets had exploded on July 5, when the London *Financial Times* carried the headline, "Italian Government Threatens Autonomy of Central Bank." That move was prompted by Berlusconi's legitimate decision to appoint a successor to the Bank of Italy's number two man, Lamberto Dini, who has become treasury minister. Such a move is perfectly constitutional, but violates a practice under which the central bank has so far protected its privileges by naming its own members. The vice chairman of the Forza Italia parliamentary caucus, Pietro Di Muccio, attacked such privilege, saying: "The Constitution does not contemplate the authority of the central bank," and queried if it were acceptable to "allow it to remain in a silent limbo where it can do everything and respond to nothing. In creating currency and regulating its circulation," Di Muccio continued, "the central bank has a power that should not compete with anybody. . . . The currency is not a monetary, but rather a political power."

But the *Financial Times* article, followed the next day by an editorial, acted as an alarm bell for "international investors," who started to liquidate their lira positions. The lira plunged for the first time to 1,000 against the deutschemark, starting a downturn which culminated on July 15, when the confrontation between Berlusconi and Di Pietro occurred.

Commentators are aware of the destabilizing role of "international financial markets." Thus, columnist Mario Deaglio wrote in the Turin daily *La Stampa* on July 17: "Financial markets treat every act, almost every breath of the Italian political world to an impassioned analysis . . . [and] the quotation of the lira or of futures thus become parameters of the Italian political picture, something that was unthinkable a couple of years ago. . . . In this situation, one can state that the real opposition chief is . . . Mr. George Soros, the great financier who became the symbol of the most important financial operations in the last period; and that the opposition is formed . . . by those who once were called the 'Zurich gnomes,' and that is the anonymous crowd of corporate treasurers, mutual funds managers, holding executives."

A clear message was given on July 22 by *Corriere della Sera* economics editor Massimo Gaggi, the only Italian journalist present at the famous gathering on the British royal yacht *Britannia*, on June 2, 1992, where the present phase of economic destabilization of Italy was charted. Gaggi reminded the government that "the Treasury can today count on more than 200,000 billion [liras] of loans coming from abroad; short-term money, which is extremely sensitive to changes in economic expectations. . . . Big financiers and speculators are raising questions about what is going on in our country. George Soros, who claimed he understood everything, has admitted to being disoriented and has sent an emissary to Italy to study the situation." The message is clear:



Italy's Prime Minister Silvio Berlusconi (left), shown shaking hands with Northern League leader Umberto Bossi. Berlusconi's coalition government may soon fall to machinations by "international investors," with encouragement from the Venetian oligarchy.

Soros, who led the speculative spree that demolished the European Monetary System in September 1992, can again collapse Italy's currency unless the government does what the markets say.

A window of opportunity

Of course, the Italian government could crack down on speculation, introduce exchange controls, and turn those 200,000 billion liras into a loss for international speculators, thus anticipating the inevitable market crash from a strong position. But, unfortunately, sources inside the government coalition indicate that pressures on Berlusconi have had their effect. Pro-growth policies have been dropped and there is now just "obsession with the debt question." Foreign Minister Antonio Martino, a free-market economist and onetime pupil of Milton Friedman, is reportedly dictating an austerity economic policy as the priority. Thus, Berlusconi, whose way out of legal troubles grows smaller every day, is shutting out the only possibility to secure a perspective for his cabinet. The same forces who have supported him are already looking for alternatives, and the idea of an "institutional government" is being floated, which means a new coalition. New players, such as the Popular Party (successor to the old Christian Democracy) or the PDS (successor to the Communist Party) are "warming up" their teams. But no true change will occur unless the "free-market" forces are forcefully challenged.