
Italy

Tremonti's Resignation Dooms Berlusconi

by Claudio Celani

With the resignation of Finance and Economy Minister Giulio Tremonti on July 3, the Italian government led by Silvio Berlusconi has entered a turbulent phase which could end in an early dissolution of the ruling coalition. No figure is in sight who could replace Tremonti in the role of imposing controversial budget decisions on the coalition squabbling partners. A possible candidate, outgoing European Union (EU) commissioner Mario Monti, declined to take the job after talks with Prime Minister Berlusconi. Berlusconi then declared he would himself take the economic portfolios held by Tremonti (Finance, Treasury, Budget, and Mezzogiorno—Italy's South), amidst negative reactions from the opposition and even within the coalition ranks. Berlusconi later corrected himself and announced that this would only be for an interim period of "a few days."

The crisis offered the flank to Standard & Poor's to announce, on July 7, a downgrading of Italy's sovereign debt from "AA" to "AA-," a move which could prompt international investors, who hold half of the Italian debt assets, to dump them in the near future, if the crisis is protracted. S&P justified its decision partly with Berlusconi's intent to push through his promised tax-cut program—which would jeopardize Italy's capability to contain the public deficit—but also with "uncertainties in the government coalition."

Berlusconi wants to implement his tax-cut program as the only hope for him to be re-elected in 2006. However, he could be punished by the markets for that, granted that he succeeds in convincing his coalition partners to continue to support him. The tax-cut issue was already a major bone of contention inside the coalition parties during the last election campaign, with especially the National Alliance (Alleanza Nazionale) and the Christian Democratic party UDC calling it "unpopular" and distancing themselves from the Prime Minister. Now, the UDC has announced that it could withdraw from the coalition, albeit granting outside support, if the Prime Minister does not change his mind.

The Historical Nemesis

Whereas the recent trigger of the crisis which led to Tremonti's resignation was the results of the European Parliament and local elections on June 13, the longer-term cause of Berlusconi's decline is a consequences of his support for the

neo-conservative U.S. government on the Iraq War, a decision which not only isolated the Italian government in Europe, but also polarized the country and alienated him from a significant part of his domestic support. This, combined with Berlusconi's incapability to deliver an economic upswing, despite his electoral rhetoric of creating jobs, building infrastructure, raising pensions, and modernizing Italy's bureaucracy, made him lose the "Mandate of Heaven" long before the current crisis exploded.

Berlusconi's party, Forza Italia, paid for this failure in the European elections, where it fell from 25.2% to 21%, losing six seats in the European Parliament. The result of the local elections, which were definitive after the second round on June 19, were even worse: Forza Italia lost the regional governments in Sardinia and Apulie, as well as the highly important provincial government in Milan and many other provinces. The party also lost votes in Sicily, a former stronghold, and lost the race for the mayorship in Bologna against former trade union leader Sergio Cofferati, with a remarkable 40.65% against 55.90%.

Personally, Berlusconi lost the challenge in the central Italian district for the European elections, where the opposition candidate, former TV journalist Lilli Gruber, got almost 800,000 votes against Berlusconi's 433,371. Mrs. Gruber, a South Tyrolean, had profiled herself especially through her dispatches from Baghdad on the main TV news, TG1, highly critical of the war.

Berlusconi's defeat was particularly bitter as his government allies, especially those who had raised criticism of his economic policy such as the UDC and Alleanza Nazionale, gained votes. The UDC went from 4.8% to 5.9%, whereas AN jumped from 10.3% to 11.5%. It was clear that those two partners would present the bill, in the form of more government posts and above all more money to distribute to their porkbarrels.

Tremonti's Ousting

In this context, Tremonti has played the role of a figure in a Classical tragedy. He was made the scapegoat, partly for objective reasons, partly because of an intrigue. In fact, the process which led to his ousting was put in motion the very day that he came out with his "Colbertian" plan for European infrastructural development, called the "Tremonti Plan." As *EIR* reported at that time, the plan envisioned a shock program of 50-70 billion euros per year, to be mobilized through a combination of public and private capital, to finance trans-European infrastructure. The plan was officially presented at the beginning of the Italian EU Presidency, on June 9, 2003, and immediately provoked a hostile reaction from the mouthpieces of Wall Street and the City of London, the *Wall Street Journal* and the *Financial Times*. In Germany, Otto Graf von Lambsdorf, a member of the Trilateral Commission and a convicted felon for illegal party financing, attacked the Tremonti Plan as an Italian trick to



Economy Minister Giulio Tremonti did not mobilize a popular revolt against the exposed synarchist bankers he was fighting, and now he has been forced out.

steal money from the European Union!

Despite those critics, however, the Tremonti Plan, called “European Action for Growth,” was so well conceived and presented that it found no open opposition on principle either in the European Council or the EU Commission. The latter, however, through a pragmatic approach, managed to reduce it to a “quick start” program—i.e., a list of projects which could be immediately financed, as soon as all bureaucratic and technical aspects are solved. Thus, the final project presented by the Commission on Nov. 11, 2003, envisioned a yearly investment of EU 10 billion, far from the ambitious dimensions of the original proposal.

As the Italian EU chairmanship was coming to a close, in December 2003, the Parmalat scandal broke up. At that point, Tremonti was in the position of becoming a kind of Italian Charles de Gaulle, had he followed through on his impulse to put the central banking powers under state regulation. Tremonti had been already in a clash with the central bank, an expression of the Italian private banking system, as the private banks had responded negatively to his solicitation of their active participation in the funding of national infrastructure projects. Tremonti then expressed his intention to “publicize” those banks, i.e., getting local administrations to have a power stake in the banks. This conflict, in which Tremonti had been backed by the populist Northern League (Lega Nord) party—aiming of course at getting their hands on the rich banks of Northern Italy—had brought to the surface the anomaly of the Banca d’Italia, a central bank which should oversee and control the practices of Italian banks, but which, as a result of privatizations, is itself owned and therefore controlled by those same private banks.

The Parmalat bankruptcy allowed Tremonti to escalate his quarrel with central bank head Antonio Fazio, producing documents in Parliament showing that Fazio had refused to act on the Parmalat crisis, although the government had solicited him months in advance. Tremonti then presented a bill to transfer regulatory powers from the central bank to the

government, as well as proposals to have government and Parliament appoint the bank governor (he is currently appointed by the central bank council).

Tremonti was opposed by the parliamentary opposition and by the “Fazio boys” in the government coalition, led by Deputy Prime Minister Gianfranco Fini and his party comrade Gianni Alemanno, a figure close to the synarchist circles of Princess Elvina Pallavicini. Fini, Alemanno, and other coalition members started to demand that Berlusconi reduce Tremonti’s power. Inside Berlusconi’s party, Forza Italia, Tremonti was opposed by Marcello dell’Utri, a powerful figure who had built the party in 1994 out of Berlusconi’s Publitalia corporation and who represents the tradition of the Spanish Inquisition.

The ‘Hamlet’ Problem

Had Tremonti exploited the tremendous hostility in the country against the banks, publicly exposed as responsible for billion-odd swindles in the cases of Parmalat and the Argentinian and Cirio bonds, he would have had enough popular support to push through a national banking reform, establishing sovereign credit facilities to finance his infrastructure plan.

Instead, he looked for “political consensus.” The result was that the Parliament voted for a watered-down version of his financial reform plan, which does not threaten the independence of the private central banking system; and a few months later, the power balance tilted in favor of his enemies.

Tremonti offered his enemies huge flanks to kick, as he adjusted pragmatically to those very axioms he wanted to challenge. For instance, he enforced budget cuts in order to respect the European Stability Pact, which forbids a government deficit larger than 3%. He did that with tricks (such as one-shot measures, or selling future incomes from privatizations) in order to avoid what he called “social slaughter,” but de facto he applied a budget control policy which left little margin for investments and growth policies. The crisis in Italy’s Mezzogiorno especially, with up to 50% unemployment in some regions, grew bigger.

His enemies exploited such failures and especially his decision of betting everything on the fabulous tax cuts and tax reforms which, if implemented, would bankrupt public finances and implement social injustice. During the election campaign, Tremonti, who is well informed about Lyndon LaRouche’s analysis of the ongoing systemic collapse, often went public with statements like “nobody could predict the dramatic international crises such as the stock market collapse in 2001, the 9/11 crisis, or the Parmalat bankruptcy.”

Thus Tremonti, despite his merits, has played the role of a tragic figure, a victim of his own contradictions, in a pale resemblance of Shakespeare’s Hamlet. With his departure, Denmark—sorry, the Berlusconi government—is doomed to early disintegration.