

## SPECIAL REPORT

# The Battle for Italy: Debt Moratorium or Fascism

**March 27 (IPS)** — Following an emergency meeting March 17, the top authorities of the Italian central bank, the Banca d'Italia, and the Italian government's top financial officials announced a new austerity package that includes severe monetary restrictions, including a prohibition on the export of capital from Italy, and harsh tax increases as the most "swift and efficient" way of providing the central bank with enough cash to prevent Italy from defaulting on its foreign debts.

Their move came after the financial daily *Il Fiorino* revealed that the Banca d'Italia has defaulted on its debts to the Italian banking system by refusing to redeem paper it had sold to Italian commercial banks. *Il Fiorino* warned that the bank's action was threatening a run on the Italian banking system as a whole.

Behind the Banca d'Italia's de-facto bankruptcy lies the fact that it has virtually exhausted its cash reserves in an effort to stem the Wall Street-provoked run on the lira. The Wall Street financial attack has plunged the Italian currency to a low of around 840 to the dollar, a loss of value of some 30 per cent since Jan. 19, when the attack on the lira began. At the same time, banking sources state, the leading international credit institutions—acting on orders from the New York-based Atlanticist faction headed by Averell Harriman and the Rockefeller interests—have refused to supply the Banca d'Italia with any credit to replace its losses or to finance Italian imports. But Wall Street still expects full repayment of Italy's \$20 billion debt due between now and 1979.

The only other source of credit to the central bank, a promised \$1 billion Common Market loan guarantee presently being negotiated in Rome, will not be available until May at the earliest, if at all.

Cut off from outside refinancing, Italy's attempt to pay back its international debt, as proposed by the government of Premier Moro, will lawfully result in two equally disastrous economic alternatives: a cranking up of the government printing presses that will produce Weimar-type hyperinflation, or a drastic recessive policy aiming directly at slashing the population's living standards. In either case, the industrial apparatus of the country will be utterly destroyed.

The Italian *La Stampa* has already reported that as a result of the government's austerity package, FIAT's automobile production will decrease by 10 per cent, while sales are expected to fall 20 per cent.

Either economic alternative will lead in short order to imposition of a fascist police state in Italy to collect the Atlanticists' debt. The West German press has characterized the Moro austerity plan as a replay of Mussolini's fascism. The Italian crisis in its economic, social and political aspects, poses the **most immediate** threat of imposition of fascist police state austerity — in a major industrialized nation.

At the same time, the Atlanticists' assault on Italy which began over two years ago with the 1973 oil boycott hoax, has crystallized a pro-development opposition to the Atlanticist

looting policies within the institutionalized power structures which govern Italy. At the head of this faction are the Christian Democratic Budget Minister Giulio Andreotti, Eugenio Cefis, the head of the giant Montedison petrochemical complex, and Socialist Party faction leader Giacomo Mancini. This opposition coalition has developed immediately in response to an Atlanticist frontal assault on their (the opposition's) institutional bases of power — the trade unions, the public sector corporations and the government institutions and agencies which are the glue holding the Christian Democratic and other leading political parties together. On a more fundamental, principled level, this grouping recognizes that some productive solution to the economic crisis must be found, and that the Atlanticists' cannibalism of production to pay debt will only lead to social disaster.

Their forces, acting under the programmatic leadership of the International Caucus of Labor Committees International Development Bank program, are broadly in agreement with declaration of debt moratorium and the creation of a new international credit institution, the only possible programmatic alternative to Atlanticists' fascist policies. This pro-development faction commands enough forces and potential forces to force through adoption of this policy by the Italian government. But, for their own mistaken "tactical" reasons, they have not yet launched a full offensive around this program.

These forces have by no means retreated from their principles, only from the field of battle. But with the March 31 quarterly payments deadline fast approaching, and Atlanticist bankers determined to impose a fascist "dollar-deutschemark" austerity axis on Western Europe by that date through wholesale devaluations of European currencies, these forces have little time to move for an institutional solution to the Italian crisis by taking up an open fight for debt moratorium and the IDB. If they back down, the only means for stopping the return of fascism in Italy will rest with the revolutionary potential in Italy's working class. The developing mass strike wave in Italy and Western Europe will ultimately decide the question.

### History of the Atlanticist Assault on the Italian Economy

Wall Street's drive to plunder and progressively dismantle the Italian economy to prop up the dollar credit system has occurred in a series of "ratchet" steps: the Atlanticists demand austerity, a chunk of Italian industry is liquidated and the population's income is lowered to meet the demand; then a new call for austerity.

The ratchet steps began with the Rockefeller-orchestrated October, 1973 Arab-Israeli war. In the ensuing oil hoax the 400 per cent increase in the price of crude oil quadrupled Italy's balance of trade and payments deficit. To finance its 1974 deficit of nearly \$5 billion, Italy borrowed heavily in short and medium-term loans from the International Monetary

Fund, the European Economic Community, the U.S. Federal Reserve, the West German Bundesbank, and the Wall Street banking community, with the IMF acting as the policeman. The loans imposed stringent austerity conditions.

Then-Treasury Minister, Republican Ugo La Malfa, quietly undertook the negotiations for a one-year \$1.2 billion IMF loan in February 1974. The austerity measures attached to the loan — which became known in the midst of a nationwide strike wave — were strongly opposed by the Socialist Budget Minister, Antonio Giolitti. In March, La Malfa brought down the government, a move which terrorized the unions into accepting the IMF austerity conditions from fear of governmental chaos. La Malfa himself remained outside the reconstituted, pro-austerity Rumor cabinet, holding himself in reserve to triumphantly re-enter the government as Deputy Prime Minister under Aldo Moro in late 1974.

In the summer of 1974 the governor of the Banca d'Italia, Guido Carli, acting under explicit orders from David Rockefeller imposed a tight credit policy on both the public and private sectors to force a drastic cut in internal consumption in Italy, and further "improve" the Italian payments picture. By fall, Carli's credit policies resulted in the drastic collapse of Italian industrial output, which fell to 55 to 65 per cent capacity by early 1975, and Italy was still faced with exhaustion of its foreign exchange reserves. In September, 1974, Prime Minister Rumor met with West German Chancellor Helmut Schmidt at the Villa Serbelloni in Bellagio, and hocked Italy's gold reserves in return for a further \$1.5 billion loan from West Germany.

The next ratchet came in the summer of 1975, when Premier Aldo Moro delegated his Deputy Prime Minister, La Malfa, to develop a government economic program that would loot the liquidity-starved Italian economy for more cash. The banks were at that moment engaged in soaking up liquidity throughout Western Europe to compensate for the effects of the New York City debt crisis and several other major defaults associated with the June 30, 1975 second quarter repayments crisis.

At the point that portions of the La Malfa plan began to leak into the press in the fall 1975 (the full plan still has not been officially unveiled, due to the difficulty of assembling political support for all of its provisions), the Italian economy was already reeling from the austerity conditions imposed by the IMF in 1974, and exacerbated by the "early" repayment of the \$1.2 billion IMF loan in 1975. Worms ran out of the faucets in Palermo; in Sardinia water was withheld from farmers in order to provide for their animals and the cities; cholera made an ugly re-appearance in Naples; and unemployment in the south rose to well over 50 per cent. Meanwhile, food consumption sharply dropped as workers gave up meat and fruit for a diet of pasta — which had effectively doubled in price since 1973.

La Malfa's program, developed with the aid of Moro's personal economic adviser, Nino Andreatta, nonetheless demanded more loot from the Italian population. It included broad demands for: 1) drastic reduction of workers' wages through indexing wages to "productivity" — a plan already known to the Italian public as La Malfa's "incomes policy;" 2) heavy increased taxation through such hoaxes as "fiscalization of social burdens" to take unemployment and other social security taxes directly from workers; 3) the implementation of public works slave labor projects for

unemployed workers, students and women (the inclusion of women and students in the labor pool was proposed by economist Franco Modigliani of the Massachusetts Institute of Technology); 4) strict import restrictions; imposed by decree by the Banca D'Italia; 5) substantial cuts in public spending; and 6) a thorough reorganization of the State Holdings industrial sector, which includes such essential productive subsectors as energy (ENI, the Italian Hydrocarbons Corporation), chemical (Montedison, ANIC, etc.), metallurgy, construction, transportation, and textiles. This aspect of the Andreatta plan was specifically intended to weed out the austerity-resistant civil service sector which in many Italian towns provides the only source of family income; and in public industry to implement Brazil-style speedup by slashing the workforce and capital investment — "cutting off the dead limbs" as Italian Atlanticists term this suicidal policy.

The reorganization plans call for combining the present State Holding Ministry into a new "superministry" which would also include the present ministries of Finance and Treasury. The "superministry" would be charged with the complete reorganization of the state holdings, to eliminate "inefficiency," competition, etc.

In an October 23, 1975 interview with the Milan daily *Corriere della Sera*, Andreatta himself spelled out his slave labor proposals in detail. He called for the creation of 500,000 new positions for unemployed workers, at a wage rate two-thirds of the industrial minimum wage. The jobs should be funded, he said with 900 billion lira (at the time, approximately \$1.3 billion), government contributing 50 per cent, industry 30 per cent, and employed workers 20 per cent.

Andreatta also spelled out a nationwide program of public works projects for his slave laborers, to be administered through local corporatist bodies. The projects included "programs of forestation, maintenance of public opera, renewal of urban structures, construction of parks, assistance in the schools, assisting sick people in their homes (to alleviate overcrowding of hospitals — ed.), and reinforcement of the police."

Each of these ratchet austerity steps was sold to the Italian population by arguing that a cut in internal consumption, combined with increased productivity and increased exports would give Italy the needed liquidity to expand its industrial capital. Instead, by the end of 1975, Italy's foreign debt burden had mushroomed to fully \$20 billion in principal and interest due in cash between 1976 and 1979. Official Italian unemployment figures had risen to the highest in post war history, 2 million skilled and unskilled workers.

### The Political Fight Develops

Moro and La Malfa intended to consolidate the entire public sector apparatus — now largely controlled by people such as Eugenio Cefis — under the leadership of a "super ministry," to be managed by a "technocrat" of the calibre of NATO organizer Guido Carli, if not Carli himself. This sector was then to be cannibalized to further supply Italy's debt repayment needs at the expense of Italian workers and public sector capitalists. But such reorganization meant destroying the political base of the Christian Democrats, whose 30 years of control of the central government has been maintained through links with local power groups whose influence devolved largely from subsidies distributed through

governmental and regional agencies and the public sector corporations.

In order to break the "clientelar" interest groups' hold on the Christian Democracy, breaking the party's remaining resistance to austerity and opening up the public sector to unbridled Atlanticist looting, the party's pro-Atlanticist faction around Piero Bassetti took up the task of "reconstituting" the party. With the Christian Democrats having suffered a major setback in the nationwide administrative elections of June 15, 1975, the Atlanticists immediately pushed to give the party a populist and liberal-fascist facade. They installed a new interim party general secretary, Benigno Zaccagnini, a pediatrician and a political non-entity from the Communist-ruled Emilia Romagna region, who quickly revealed himself as a tool of Moro and Agnelli.

Late in 1975, the pro-development current of the Socialist Party, under the leading southern politician Giacomo Mancini, began a factional collaboration against the Atlanticist looting policy with the public sector-linked faction of the Christian Democracy and the pro-development industrialists headed by Eugenio Cefis of Montedison. The faction's initiatives were conditioned by the impact of the International Caucus of Labor Committees' call for international debt moratoria and the International Development Bank proposal which was widely circulating throughout Italian business and political circles, as well as working class layers.

Mancini also launched an organizing campaign in Italy's trade unions to break the control of the working class by the pro-austerity, NATO-controlled Communist Party union apparatus. The trade union leadership had accepted the essentials of the program on the prompting of Luciano Lama, the secretary-general of the Communist-dominated CGIL, the largest trade union confederation in the country. The Lama line was a policy of no wage increases to favor employment: the Communist union chief argued that employers who are not burdened with ever increasing wage demands will be willing to open new jobs to unemployed workers. The new jobs he had in mind were precisely the low-wage and labor-intensive public works envisaged by Moro, La Malfa and Andreatta, which were to be managed with the participation of the unions.

The Lama line quickly became the target which pro-working class Socialist Party cadres in the unions seized on to discredit the Communist-led agent union leaders. Their months-long successful attack culminated in February when the united secretariat of the three major union confederations, the CGIL, CISL, and UIL, was forced by rank-and-file opposition to reject the Lama plan and demand wage increases instead.

Mancini's faction also worked closely with the forces of Andreotti and Cefis to develop an alternative solution to the economic crisis based on increasing Italy's productive activity and its trade with the Soviet sector and the Third World.

Early in 1976 Montedison became the first major Western corporation to reach agreement on economic and technological cooperation with Cuba since the Cuban revolution in 1959. Montedison also made several deals with the Soviet Union, as well as agreements of mutual cooperation with the other East European countries. ENI, the Italian Hydrocarbons Corporation, sent top executives to Africa and Latin America to encourage these countries to

increase trade with Italy. They offered to take over the Angolan oil wells that had been abandoned by Gulf as part of the U.S. economic attack on the Angolan People's Republic.

A delegation to Mexico led by the vice president of the Christian Democratic Party Parliamentary fraction, Paolo Barbi, reached agreement to set up a joint Italo-Mexican enterprise to ship Mexican crude oil to Italy, last month. A subsidiary of ENI is engaged in a major Iranian project for the reconstruction of the city of Abadan, including the construction of housing, roads, and industrial facilities. The

This motion culminated when Defense Minister Arnaldo Forlani, a close ally of Andreotti in the Christian Democrats, proposed one week prior to the Socialist Party Congress in early March that a new government be headed by a Socialist Prime Minister. His proposal was accepted in principle by the centrist Socialist Party (PSI) leadership. The PSI emphasized that the coalition proposal was only workable if there were "deep changes" in the Christian Democratic Party to permit radically new economic policies.

The Cefis-Andreotti-Mancini pro-development alliance planned to consolidate their international activity through installation of a Christian Democratic-Socialist Party cabinet. On Jan. 7, the Socialists withdrew parliamentary support from the fragile Christian Democratic-Republican cabinet of Prime Minister Moro stating that they could not accept the government's austerity program.

From discussions with figures close to the pro-development group, U.S. Labor Party presidential candidate Lyndon LaRouche, Jr. reported early in February this year that the International Caucus of Labor Committees' International Development Bank and debt moratorium program had been broadly adopted as the program of the Italian pro-development forces.

### Atlanticists' Reaction

In response to the development forces' moves, which directly threatened not only their plan to force austerity on Italy but the existence of the entire world dollar empire, the Wall Street factions of Averell Harriman, George Ball, the Rockefellers and their Italian allies, FIAT head Gianni Agnelli, and others, decided to apply shock therapy to the Italians as a lesson to anyone else who might be heading towards dumping their dollar debt.

The Atlanticists responded immediately to the Jan. 7 government collapse with redoubled demands for austerity. On Jan. 21 they stepped up their attack by provoking a run on the Italian lira and placing an economic and financial blockade around the country. The blockade included a shut-off of oil shipments to Italy, and multinational oil company demands for increased prices to compensate for the lira's fall in value.

Within Italy, the chief Atlanticist operative, Gianni Agnelli, immediately recognized that his "political" deployment of paid agents and dupes in the Communist, Socialist, Christian Democratic, Republican, and other political parties and government institutions was too weak to stop his opponents. Instead he turned to his massive Fiat police apparatus, dating back to the Mussolini period, with its ties to the Italian military and secret service and to Italy's NATO terrorist countergangs. Using this machinery, Agnelli has launched a wave of outright terror — including murder of political opponents.

At the same time Agnelli activated his nationwide press and watergate apparatus — La Stampa, La Repubblica, L'Espresso, Panorama — and other major press organs in a massive scandal campaign that was aimed directly at Andreotti, Cefis and their allies.

Since the beginning of the year this campaign included disclosures of CIA financing of Italian political parties (including the "leak" that U.S. Secretary of State Henry Kissinger had approved the distribution of \$6 million among "anti-communist" parties last December). More far-reaching was Agnelli's use of the Lockheed scandal, which aimed at the discrediting of the entire republican structure of the Italian government. Agnelli's press slung allegations of Lockheed payoffs even at the President of the Republic, Giovanni Leone, backing up their smears with demands for the radical reorganization of the parliamentary system under the leadership of "able and non-partisan" technocrats.

His journalists also targeted Montedison and an allied enterprise, La Standa, for scandal charges that the two corporations had corrupted public officials. Under the ruse of the investigation of La Standa, police raided the offices of Montedison and La Standa in Milan and had them searched and sealed until further notice. Police armed with arrest warrants also broke into the Socialist Party Congress in Rome March 4 and publicly apprehended a socialist allegedly involved in the scandal.

In late February, Vito Scalia, a former leader of the CISL union confederation who was recently expelled from the leadership of that federation on charges of factionalism, was seriously injured in an auto accident which killed his secretary. The accident occurred just one week after Scalia exposed the fact that FIAT-owned La Stampa had fabricated slanderous allegations linking him to CIA funding. In an interview with Il Tempo, Scalia had also charged that Agnelli was involved in a "conspiracy" to subvert Italian political institutions.

### Development Forces Counterattack

The development forces counterattacked in the Cefis press. The Agnelli-inspired scandals were exposed in a Cefis-linked weekly, L'Europeo, as part of a long-standing conspiracy by Agnelli to overthrow the Italian constitution. L'Europeo charged that Agnelli had attempted to blackmail President Leone in the Spring of 1974 into changing the constitution "just as we, the industrialists, want it." The magazine also charged that the special secret service agent who found out about Agnelli's plan was murdered before he could testify before a judge.

Simultaneously, L'Europeo revealed that Agnelli and his brother Umberto are under investigation in Turin for their involvement in coup plots dating back to 1964.

### The Congresses

The institutionalized pro-development force in Italy, the coalition of Cefis, Andreotti and Mancini clearly had the opportunity of force adoption of their program at the just concluded national congresses of the Socialist Party and the Christian Democratic Party (see update) — but backed down.

Mancini entered the Socialist Party congress in Rome at the beginning of the month with a consolidated tactical alliance between himself and centrist party general

secretary Francesco De Martino which had put 65 per cent of the party under Mancini's de facto control. Reflecting this control, De Martino's keynote speech to the Congress rejected any hope of an economic upswing because of "unresolved contradictions" in the international monetary system which had thrown the "entire capitalist system" into an insoluble economic and political crisis. The speech, partially authored by Mancini's Seminar on International Policy, proceeded to outline some of the major parameters of the IDB proposal: Italy must find a "common international solution" to its financial crisis through collaboration with the rest of Europe and the Third World. This solution must be based on "a new model" economy which would occupy an "original" position "between capitalism and a planned economy."

The scores of Atlanticist agents who riddle the Socialist Party went into a full-scale deployment immediately following De Martino's speech — including such agents as party vice secretary Mosca who occupy positions of leadership in De Martino's own faction. They put pressure on Mancini directly and through his wishy-washy ally De Martino by threatening to split the party if Mancini persisted in fighting against austerity and for a debt moratorium and similar policies. To drive the point home, De Martino's faction was threatened with collapse when one of his top "lieutenants," Mosca, suddenly sided with the agent party "left" wing against De Martino on the issue of relations with the Atlanticist-controlled Communist Party (PCI). Mancini was faced with the choice of continuing to fight or retrenching.

While it is clear that Mancini, with the overwhelming majority of the party's working class base supporting his anti-austerity policies, would have come out the inevitable winner of any faction fight once the dust settled, he chose instead to retrench. Three days after his keynote, De Martino was demanding "prudence" on the issue of considering the collapse of the capitalist system as inevitable, arguing that such dangerous premises led to "the construction of facile illusions." On this basis, De Martino vehemently denied the "illusion" that the PSI was in any way prepared to formulate a transitional program for a planned economy.

### UPDATE: THE DC CONGRESS

After a welter of subterranean maneuvers which would have shamed ancient Byzantium, the national congress of the Italian Christian Democracy (DC) closed today with the reelection of Atlanticist Benigno Zaccagnini to the post of party general secretary. Zaccagnini's reelection was a direct result of the capitulation at the congress of the anti-Atlanticists led by Giulio Andreotti, effecting a significant setback for Italy's pro-development faction.

Andreotti, according to his own testimony, had entered the congress confident that he would emerge hegemonic and see his candidate, Aldo Forlani, oust Zaccagnini. To accomplish this goal, Andreotti was banking on elaborate behind-the-scenes deals, including Forlani's capacity to pull behind him the faction of his protector, right-wing leader Amintore Fanfani, and certain sections of Zaccagnini's own left-wing base. At no point did Andreotti contemplate waging a faction fight around programmatic issues. He chose Forlani as his up-front candidate precisely for his appeal to both sides of the party.

Andreotti was playing in the enemy's political terrain, pitting his realpolitiking talents against those of the Italian Atlanticist machine, all of whose resources had been thoroughly mobilized to defeat him at the congress. The congress hall was stuffed with well-paid, \$40 per day provocateurs to ensure the disruption of any serious discussion. In addition, Italy's Communist trade union leadership lent Zaccagnini a contingent of workers to give the appearance of working class appeal. Most speakers were thus forced to address an audience which was variously shouting, engaging in continuous fist fights, and generally creating an atmosphere of rabble-rousing insanity which significantly hampered rational developments.

Andreotti's response was to resort to backroom deals and, according to some on the spot sources, even paying provocateurs double the money (\$80) to change their allegiances. This straight "muscle" approach ensured that the side who could muster the most in brute force would win out. Indeed that is what happened.

#### **A Pyrrhic Victory**

Andreotti's capitulation — brought about by a gutless adherence to an infantile and magical conception of politics — has meant a significant tactical defeat for the Italian anti-Atlanticist faction, albeit not yet a strategic defeat.

The Atlanticists, headed by FIAT magnate Gianni Agnelli, now have increased political leverage to dictate government and economic policy. Their increased hegemony within the DC provides them with added clout in dealings with the other components of the Italian pro-development faction — the Mancini wing of the Socialist Party (PSI) and the state sector industrialists led by Eugenio Cefis. However, Agnelli may soon discover that his is little more than a Pyrrhic victory.

Zaccagnini's victory may mean the collapse of the government in favor of the mooted "public safety" coalition with Communist (PCI) participation. Whether this government

change occurs immediately or not, what is now absolutely certain is that Agnelli will move to increase even further the austerity measures which have already decimated the Italian economy. Such a move will exacerbate — probably to the breaking point — the tension already existing within the municipal political machines.

Since the most recent spate of austerity which cut off virtually all funding to the municipalities, local mayors and budget commissioners have begun important organizing motion against the federal austerity policy. A very large portion of these local political machines are in fact known to be actively considering proposing debt moratoria at different levels as the sole alternative for freeing sufficient funds at the federal level to finance municipal social services.

In Naples, the Communist Mayor is threatening to personally lead an anti-government demonstration, while his budget commissioner is demanding that the city's debt service payments to the bank be frozen indefinitely. The Naples mayor is going directly against his party's Atlanticist policies. This "revolt" against PCI party leadership induced by the desperate financial situation of all Italian municipalities has even reached the model Communist city, Bologna, where PCI local leaders are requesting literature on debt moratoria in preparation for a meeting of mayors which will take place in Milan on April 9.

In Milan, city government officials have already presented debt moratoria to the city council and are consulting with European Labor Committee spokesmen in preparation for the April 9 meeting. Similar situations exist in the surrounding industrial towns of Nova Milano and Sesto San Giovanni. With most cities unable to raise the funds to pay their municipal workers this month's or in some cases even the last two to three months' wages, they are being left with little choice but to repudiate their debt and pressure the national government to do likewise.