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## Book Review/Interview: Giulio Tremonti

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# Italy Can Defeat the Euro-Coup and Its ‘International Republic of Money’

by Andrew Spannaus

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### **Bugie e Verità: La Ragione dei Popoli (Lies and Truths: Why the People Are Right)**

by Giulio Tremonti Milan, Italy:  
Mondadori, March 2014 (in Italian)

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May 21—On May 14, Giulio Sapelli, a well-known Professor of Economic History at the University of Milan, gave an interview to [ilsussidiario.net](http://ilsussidiario.net) concerning the revelations contained in former Treasury Secretary Tim Geithner’s new book, *Stress Test: Reflections on Financial Crises*. The book contains an important anecdote regarding Italy, recounting how, in 2011, certain European officials asked the Obama Administration to assist in bringing down the government of Italian Prime Minister Silvio Berlusconi. For those who are knowledgeable about the events leading to the replacement of the Berlusconi government with that of the Euro-technocrat Mario Monti, such a reference to “officials” can only mean German Chancellor Angela Merkel and then-French President Nicolas Sarkozy.

Sapelli, however, also said something out of the ordinary, which indicates the true level of the political clash which took place at the time: “The Berlusconi government was brought down, but he wasn’t the real enemy; Giulio Tremonti was. He was the man who had to be kicked out.” Sapelli recalls Tremonti’s warnings about Europe’s financial policies before the euro crisis exploded, demonstrated in detail by the documentation subsequently published in Tremonti’s 2012 book, *Emergency Exit*.

Those who follow the battle for the reform of the international financial system know that for years Tremonti



onti has fought for a return to the separation between ordinary banks and speculative banks, based on the Glass-Steagall legislation that had been in place for decades in the United States, and also for new instruments that would provide preferential credit for productive enterprises and large-scale investment in infrastructure, in contrast with the “marketist” (Tremonti’s preferred term for free-market ideologues) vision of what he calls the “International Republic of Money.”

As Italy’s Economics and Finance Minister for a number of times—most recently, from 2008 to 2011—Tremonti

led the fight for a new quasi-public bank for Italy’s underdeveloped South, the Mezzogiorno, and refused to provide unconditional public funds to the banking sector during the 2008-09 financial crisis, demanding instead, that the banks commit to lending any public funds they received to small and medium-sized enterprises. Not surprisingly, the big banks refused the offer. After the “soft coup” against the Berlusconi government in 2011, Tremonti introduced draft legislation to separate commercial banks and investment banks, which led to numerous other political forces presenting similar proposals. He filed his bill once again in the current legislature, resulting from the elections in early 2013; he is now an independent Senator.

### **Italy Was Blackmailed**

Of course, since Tremonti spent a number of years as Finance Minister, he is also the subject of considerable criticism from those who consider him in part responsible for the crisis. Now, in his new book, *Lies and Truths*, he presents the details of the euro crisis and its reflections in Italy in recent years, explaining what was

done by both sides—the Italian government and the EU institutions. He then lays out an approach to allow the country to regain its sovereignty and importance at the international level.

The book begins with harsh criticism of the measures taken by the technocrats, starting in the 1990s, and intensified after the 2011 crisis. Essentially, Tremonti says that Italy was blackmailed by the financial markets and the European Central Bank (ECB), not based on an emergency or impending fiscal crisis, but to make it pay for the banking debts of other large countries. Italy's finances were in order, and the pension system had been adequately reformed; it was Germany and France that decided to "save the euro" by having Italy pay the bill.

The clearest example of this is the responsibility for contributions to the bailout funds (the European Stability Mechanism/ESM) used to cover losses at banks that hold high-risk bonds from Greece, Spain, and Ireland. Italy pays 18% of the total, reflecting the relative size of its GDP in Europe, but its actual exposure to these risky securities is much lower, approximately one-tenth that of France and Germany. In this manner, Italy was stuck with a large bill for the bailout to "save" the countries in crisis. The reality, though, is that those funds didn't help the respective countries at all; they went straight to their creditors abroad.

Tremonti writes: "A false catastrophe [was created] ... because today it is clear that it was not Germany and France, with others, who saved Italy, but on the contrary, it was Italy, with others, who saved the overexposed German and French banks."

With pungent observations, the former Economics Minister traces the events of recent years, and argues that Italians suffer through these problems because their politicians—and in particular, the parties which have supported the technocrats—allow, accept, and embrace the impositions from abroad. He concludes that "it is vital to reconstruct our national sovereignty, with the State. Not to isolate ourselves, but rather to regain our rightful place."

In this context, he directly tackles the question of whether Italy should attempt to leave the euro, which is becoming a hot point of debate in the country. Tremonti starts by saying that "leaving the euro is easy to say, but hard to do.... We would need a real government, a strong government." His position is that it would be practically impossible for Italy to do so. Greece wasn't even allowed to leave, so what would happen if Italy tried? What conditions would be imposed for purchases



*Italian statesman Giulio Tremonti, former Economy and Finance Minister, an outspoken critic of the "Euro-Coup," told EIR: "Today it is clear that it was not Germany and France, with others, who saved Italy, but on the contrary, it was Italy, with others, who saved the overexposed German and French banks."*

from abroad after a devaluation? And given that a fair amount of Italy's public debt is still held abroad, or depends on the EU in some manner, "It would take almost nothing, just an announcement, a trend, to make everything explode. For example, there could be an attack on an Italian bank, maybe leading to the first case of a bailout, to sow panic among our people."

Italy is fragile, Tremonti writes, and "the 'battle over the euro,' despite being somewhat fascinating in public debate, would have to be carefully prepared, or it would just be romantic, like a Polish cavalry charge against tanks, or ... tragic like an 'act of purity,' like trying to ride a tiger. It may not be pleasant to say it, but this is the reality."

In order to find "an alternative solution to leaving the euro, or a course that prepares us for that action," Tremonti makes a series of proposals, starting with bringing the public debt back into Italian hands, thus removing the tool by which Italy is blackmailed. This is a measure that is "necessary both if we stay in the Euro, and if we were to leave."

Such an objective could be achieved by providing various incentives for purchase in Italy, starting with declaring state bonds "exempt from any current and future taxes." The goal is to "protect ourselves against the force of international speculation," and return to making Ita-

ly's presence felt in Europe, rather than submitting to diktats from other countries. Tremonti lays out actions to be taken to protect and grow the Italian economy, from renegotiating the austerity requirements in the EU's Fiscal Compact and the level of contribution to the bailout fund, to measures for protecting production in Europe and protecting public bonds from speculation.

In terms of specific measures for the Italian economy, Tremonti leads with the following three proposals: 1) the creation of a public bank for the productive economy, "Credit for the Economy," on the model of the German Kreditanstalt für Wiederaufbau (Reconstruction Finance Corporation); 2) a Glass-Steagall-style separation between commercial banks and investment banks; and 3) the principle that "everything is allowed unless it is specifically prohibited." The goal is to overcome Italian bureaucracy, which stifles economic activity (more on this below).

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## A Dialogue with Giulio Tremonti

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*Professor Tremonti agreed to answer some questions from this author on the issues raised in the book, which are presented below. The interview was conducted in Italian, and translated by the author.*

**EIR:** Is it true that individual countries can no longer compete today? [This is a refrain often heard in support of a closer union among European countries.] Most of the world's economic powers grew up as individual countries, although based on cooperation with others as well. Do you see a need for more unification at the European level?

**Tremonti:** There is a part of history in which Europe was united. It was united by a language and cultural code, Latin, and by very intense forms of economic union: merchants, fairs. Part of our history is that of strong integration; not forced, but natural.

This may be the difference. Our history is one of aggregation, there have been periods of significant aggregation in Europe: the age of the communication routes, the age of merchants, and the age of the Catholic Church, one faith and one language.

This was natural integration. Then there were also phases of forced integration, from Napoleon to the [Third] Reich.

**EIR:** You often speak of the importance of introducing the principle that "everything is allowed unless

it is specifically prohibited." Why is this needed? How is this different from those who push deregulation?

**Tremonti:** In Italy the curve of production is inverse to the curve of legislation. When legislation begins to grow, production begins to decrease. It may be a bit of a provocation, but we could say that there wasn't exactly barbarism back in the 1960s.

**EIR:** You address head-on the question of leaving the euro. How would you respond to those who say that you are too pragmatic, that you aim too low?

**Tremonti:** First, leaving the euro would be like riding a tiger. As for the radical tendencies, which are not unfounded, the question has to be posed: What government, what national community would sign the new currency? Who would be able to sign it?

Secondly, they wouldn't let us leave. First they would make one of our banks explode.

The fact that we are inside means that we have enormous power. Now, of course, we're in a situation where there is only one bloc of interests. We don't use our power inside the euro. When we tried to do so, the Berlusconi government was overturned.

## The Subprime Crisis

*Tremonti also discussed at some length, how the subprime loan crisis came to Europe, which he did not go through in the book.*

**Tremonti:** The first subprime securities were those from the U.S., and they affected the banks in Core Europe and the U.K., banks that were in crisis, and thus invested in high-return, high-risk securities.

In 2008 and 2009, the banks of Core Europe and the U.K. failed. Many banks failed and were bailed out with various methods, using EU800 billion in public funds.

The euro was invented in the cold environment of the laboratory. There is nothing more European than Goethe, and nothing more Goethian than Faust: the "winged bills," the pact with the devil. "The winged bills fly higher than fantasy can imagine."

So let's look at what happens. . . .

The winged bills fly to the South, the Southwest, and the Northwest, in an atmosphere of uncontrolled euphoria, EU-phoria. The ECB was not responsible for the oversight of individual banks, but it did have authority and responsibility for systemic oversight.

You could say they didn't have strong powers, but they certainly should have been watching. You will never find a statement in which the ECB points out the critical aspects and the risks of private finance; only public fi-

nance, thus confusing the medicine with the disease. The public budgets were not the cause, but the medicine.

Starting in 2002, the winged bills began to fly to Greece, Spain, Portugal, and Ireland, in various forms, from swimming pools to the Olympics, from Mercedes-Benzes to overbuilding in Spain. (But remember that construction in Spain was not for second homes for people from the north of Europe; it was [for retirement], like in Florida. There were not only apartment buildings, but hospitals as well.)

In Europe, invasions are always from North to South.

When the sovereign debt crisis exploded, this second sort of subprime securities affected the banking and financial system, which had already been hit by the first subprime mortgages.

When a sovereign debt crisis explodes, there are two aspects to remember: first, if the debtor fails, the creditor fails as well; second, losses don't stop at national borders, but arrive directly at the place of incorporation of the creditor banks.

This dimension of the crisis was devastating, because it was enormous in its own right, but it also came on the heels of another crisis. And there were no public funds to be used; they had already been drained. At this point the euro itself went into crisis. The euro system risked a meltdown.

Or better, the crisis of the banks in Core Europe caused the crisis of the euro.

## The Euro Crisis

**EIR:** Why is it that, starting in Autumn 2011 and into 2012, the ECB started printing enormous quantities of money? What took place was a devastating crisis of the euro system, in these terms.

**Tremonti:** Italy was completely outside of this. I'll give you an example: Let's look at Greece.

Italian banks had potential risk in Greece of about EU20 billion; German and French banks were at risk for EU200 billion. European aid to Greece stayed in Greece for only half an hour—it didn't actually go to Greece.

And the same was true, with different formulas, for Spain and Ireland. Have you ever seen the English help the Irish?

This is the real story. And Italy was completely outside of all of this.

As long as I was [in the government], I never signed for the bank bailout fund. Monti arrived, and the first thing he did was sign.

The fight was over the level of contribution. If it had

remained a fund for saving countries, as in the beginning, then it would have been proper to calculate the contributions based on GDP, and thus 18% for Italy. In terms of saving the banks, though, it would have been only the real percentage of financial risk.

Would the Germans have paid 18% if their exposure was only 5%? This is the real story.

## The Trend of 'Marketism'

*Lastly, I asked Tremonti about his reference to the Transatlantic Trade and Investment Partnership (TTIP), the new and somewhat controversial proposed free-trade agreement between the United States and Europe. This is an important issue, because in this period of renewed strategic tensions between the West and Russia, and worries about the increase of China's influence in international affairs, there is likely to be a strong push to consolidate the Western strategic bloc, in part through the new trade agreements currently being negotiated. Some see these agreements as a way to guarantee and increase the cohesiveness of Western democracies, in part to counter a new configuration that could arise involving closer relations between some Western countries and Russia and China.*

*In my view, I said, the risk is that these agreements will maintain the characteristics of the free-market policies that have dominated the world in recent years; that is, thanks to the rush to pursue a strategic objective, certain very harmful economic assumptions will be maintained.*

*On the point of economic policy, Tremonti responded as follows:*

**Tremonti:** The trend of marketism is reaching a critical point. Although it has been decisive for the West's strength, now it can produce the opposite effect, as happened with the Roman Empire. What is needed is to reintroduce political rules. The market by itself is no longer the West's strength. Otherwise, we have the International Republic of Money.

*Having said this, Tremonti remains convinced of the importance of relying on the Atlantic axis:*

**Tremonti:** If we want to improve the prospects for Europe in general, if we want to restore balance to Europe [to reduce the political hegemony of Germany—ed.], it can only be done on the Atlantic axis.

It cannot be done on the axis of continental energy, of the land powers. Our future is not energy in the East, but civilization in the West. This isn't against anybody, but in the interest of everyone.