# The families speak from Siena

*In which the Italian oligarchy makes known its desire for a new Great Depression, especially in America.*

Good to my promise, I have obtained reports on the deliberations of the semisecret Siena Group upon a new gold reserve standard. The new standard, they say, requires the removal of the U.S. dollar as a "worthless paper currency system," and its replacement by a pure gold-coin standard, such as to cause the severest U.S. deflation.

The Siena Group, which gathered during the first week in September at the Villa Santo Colombo in Siena, Italy, is the supranational society of economists hired out as mercenaries for the oldest of Italian noble families who prefer gold as an instrument of monetary torture.

The Siena Group is sponsored by the 450-year-old Monte dei Paschi Bank, which is controlled by such ancient families of Venice as the Chigi, and by the Italian central bank. It is formally chaired by the drowsy founder of supply-side economics, Prof. Robert Mundell of Columbia University, and American associates include such supply-side philosophers as Arthur Laffer, Eugene Birnbaum, and Jude Wanniski.

Policy, however, is made by Italian members, led by Rinaldo Ossola, chairman of the Banco di Napoli; Giovanni Magnifico, economic counselor of the Banca d'Italia; and Robert Triffin of the Jesuit University of Louvain.

According to Professor Mundell, the Siena circle is urging President Ronald Reagan to continue with his disastrous supply-side economic spells, which indeed Siena helped author during the late 1970s. Although the program has thus far collapsed the nation's productive economy and capital markets, creating the largest budget deficits and the highest interest rates in American history, "this is not the problem," Mr. Mundell told me. "Reagan's program is a good one, but it is not yet complete. What is needed now is the final move toward gold."

The consensus of the Italians at Siena, it appears, is that it is the very American dollar monetary system which is the root of the current crisis. The financial markets, they insist, are not panicking due to the wild reports of an uncontrolled U.S. budget deficit, but rather hold the perception that the U.S. Federal Reserve has been "printing too many dollars," sources close to Siena report.

This may come as a surprise to our readers, who are aware that Federal Reserve Chairman Paul Volcker's stringent monetary policy has virtually closed down the U.S. economy. But the Siena mercenaries believe that Mr. Volcker's monetarism "is inadequate." The Siena circle believes that the central bank is all the while surreptitiously printing money to "bail out" failing savings and loans and international banks, which is causing select measures of monetary aggregates to balloon "out of control."

"If this continues," one Siena source told me, "the dollar will become worthless and we will get a dollar crisis of first magnitude."

The Italians at Siena predicted that just such a dollar crisis will be sufficient to force the Reagan administration into opting for a gold reserve standard in the near future, said another source.

Highlighting the Siena conference, he said, was an impassioned speech by Italian Liberal Party chairman Zanone, a Venetian asset, to this effect.

The Sienese, Mundell emphasized, would like a return to gold modeled on Professor Laffer's February 1980 "Blueprint for Reinstatement of the Dollar." Under the plan, originally proposed by Paul Volcker in 1972, the Fed and Treasury would shut down all provision of credit to the U.S. economy for three months, causing a sharp deflation and depression. The dollar would then be fixed to the resultant "free market" price for gold.

The U.S. Treasury and Office of Management and Budget, led by OMB economist Lawrence Kudlow, who is close to the Siena Group, are already doing studies for two gold-standard options. Kudlow is discussing with the Swiss National Bank a "Swiss model," in which the dollar would be limited to a gold cover, and credit controls would constrict bank lending.

The Sienese expect this to be rejected, however, in favor of a full-scale gold reserve standard. The dollar would then be removed as the center of the monetary system, and gold coins issued as legal tender as in the 19th century. The rate of dollar credit creation would be strictly nailed to the world gold mining rate; and the U.S. economy would pay the price.