The IMF destroys the Italian economy

by Liliana Gorini

In the last 10 years, the International Monetary Fund has managed to transform the Italian economy into a "post-industrial" and "post-agricultural" society, in which the only sectors still functioning are the black economy, drug-smuggling, terrorism, and "services." Thanks to IMF "conditionalities" imposed with the ostensible purpose of reducing the public deficit and the foreign debt, both increased exponentially: the deficit by 353% between 1975 to 1982, the foreign debt by 219%.

The Italian case, among other things, exemplifies the intimate link between "respectable" high finance and the darkest reaches of organized criminality.

The report on the Italian economic situation released on March 29 by the treasury and budget ministers indicates the level of the disintegration the IMF imposed on the real economy, in favor of the "black" economy: At the present time, 55% of the Italian labor force is employed in services—as much as 10% in the black economy—only 34.4% in industry, and 11.6% in agriculture and fishing.

On April 15, an IMF delegation and Treasury Minister Goria met in Rome to prepare the IMF's yearly report on the economic situation. Some days later, it was published. Far from acknowledging the failure of its program—indeed, from the IMF's standpoint, the destruction of productive capacities is not failure, but success—the report demanded more of the same:

- Public expenditures should be drastically cut, particularly in the health insurance and pension areas.
- Wages should be reduced even more drastically, and kept well below inflation levels.
- Taxes, which were increased to 40% of disposable income in January by Finance Minister Bruno Visentini, should be increased further.
- Interest rates—the Italian are the highest in Europe—should be increased in order to reduce capital investment.

When Prime Minister Bettino Craxi demanded a reduction of interest rates in order to stimulate investments, and protested against "the indiscriminate cuts in expenditures and increase of interest rates" demanded by the IMF, the answer of the Fund was a clear warning: Treasury Minister Goria, fresh from his meetings with the IMF delegation in Rome, the very next day unilaterally proclaimed a one-point rise in interest rates, from 15½% to 16½%—compared to 5⅞% in West Germany, 10¾% in France, and 12½% in Great Britain.

Yet, real interest rates on the market are much higher, above 20%.

As for the health-care system, it is already almost nonexistent as a result of previous IMF "recommendations," as is attested to by newspaper photographs of hospital corridors crowded with beds. Despite official government protests, the Fund's backers a launched a campaign through the news media to abolish the Local Health Units *(Unitá Sanitarie Locali)*, which are the only form of health-care available to those who cannot afford private insurance.

The yearly report of the IMF, ominous in its predictions (threats) of catastrophe if its recommendations were not accepted, had words of praise only for Finance Minister Visentini, whose 40% income-tax package of last January, directed especially at shopkeepers and other self-employed family businessmen, managed to bankrupt close to a million of them in a few months time. Not content with this result, the IMF report recommended "further measures."

Visentini will certainly obey. Upon joining the government, he stated that he will tax everything "down to the last chicken" in homage and fealty to the sacred service of the debt. He went so far as to have Carlo De Benedetti, who took over the computer firm Olivetti when Visentini left it to become finance minister, propose that the Italian debt be divided among all Italian citizens. "Italy has debts for 500,000 billion lire [$250 billion]," he said. "This means 10 million lire each [$5,000]. It is better to have normal people pay it, so they will realize that the public deficit is everybody's debt, and will revolt."

De Benedetti's proposal, which is more or less what the IMF is presently demanding in health, pension, and wage cuts for each "normal person," does aim at provoking revolts in Italy, as the IMF has provoked them in Ibero-America and Africa, destabilizing those countries politically as well as economically.

Italian foreign indebtedness in 1983, $58.4 billion, is equal to more than 80% of annual export earnings, and shows that Third World comparisons are no exaggeration. The ratio of foreign debt to export earnings is higher than Brazil's (75%), and approximates that of Mexico (100%).

The reason for the incredible increase in Italian indebtedness, at least since the days of the national solidarity government of present Foreign Minister Giulio Andreotti and the Communists in 1976, is that each Italian government has accepted and implemented the recommendations of the International Monetary Fund. The result is precisely that found in the Third World: Italy now has much higher debt, and no payments base. The productive capacities which once constituted the revenue base of the government and the means of foreign debt repayment have virtually vanished.