

LaRouche in Italy: How To Survive the Financial Crash

by Claudio Celani

Former U.S. Democratic Presidential candidate Lyndon LaRouche addressed the onrushing global financial crisis, and its solution, at a well-attended public event in Ascoli Piceno, Italy on Oct. 7. The conference, devoted to “Development and Job Creation in the Region, in the Context of Globalization,” took place in the Sala Gialla of the Chamber of Commerce in this Adriatic town of 60,000, and was sponsored by the Kiwanis International Europe Club.

The top elite from the region were present, from public officials to officials in industrial, business, labor, and agricultural enterprises. The proceedings were filmed by regional/local television, and at least two major newspapers featured substantial coverage in their regional editions.

Economist LaRouche is well known among the Italian national elite, and has visited the country a number of times in recent years. His last public appearance there was on June 23 of this year, when he was hosted at the Italian Parliament, to speak on the New Bretton Woods system which he has proposed to replace the bankrupt world financial system. Numerous Italian Deputies and Senators have put forward resolutions on behalf of LaRouche’s monetary reorganization plans both nationally and internationally, in the European Parliament.

The visit to Ascoli by LaRouche and his wife, Helga-Zepp LaRouche was organized by Francesco Caprioli, chairman of the retailers’ association Confesercenti for the Marche region, and a friend of the LaRouches.

The central issue discussed by the LaRouches with leading institutional figures of Ascoli and the Piceno province, as well as media representatives and the public, was how to defend the local economy, in the context of the ongoing meltdown of the international financial and monetary system.

LaRouche, who had a knowledge beforehand of the composition of the economy of the Piceno province (known as the “shoe capital” of the world), indicated that in the coming crisis, what others would indicate as “backward” aspects, actually constitutes a point of *strength* of the local economy.

In comparison with both the highly industrialized North and the depressed Mezzogiorno (southern Italy), the province of Ascoli Piceno has developed a unique industrial structure, which puts together the high quality of craftsmanship (*artigiani*, artisans) with the productivity of modern mass-scale modes of production. This is the typical character of the “shoe district,” an area covering both the provinces of Ascoli Piceno and its neighboring city Macerata. In the Piceno province, the district is concentrated around the municipality of Fermo, in the northern part of the province, based on small and medium-sized firms. The combined Ascoli and Macerata shoe district produces, according to 1997 figures, 110 million high-quality pair of shoes per year, amounting to one-fourth of Italy’s production. Most Americans do not know it, but they wear Piceno-made shoes even when they carry English names (the most famous brand is Tod’s).

Other regional economic activities include agriculture, fishing and fish-processing, and electronics. In general, these activities are incorporated in medium-sized, small, and very small firms.

Contrary to larger urban and developed areas, where employment is based on large-scale corporations, financial and other services, an area like Piceno province will be less vulnerable to the financial meltdown, and has a higher probability of surviving the depression. This is the message that LaRouche communicated to the “Ascolani,” telling them not to fear the oncoming collapse, but to be optimistic in their



Left to right: Helga Zepp-LaRouche; Andrea Antonini, minister of culture of Ascoli; Lyndon LaRouche; and Claudio Celani, at the Piazza del capitani in Ascoli Piceno. Inset: The Piazza del Popolo in Ascoli Piceno, with a view of the Church of St. Francis.



capacity to join forces with those internationally who are working for a New Bretton Woods financial system, and to use their best advantages to survive the crash, and eventually promote a global recovery.

LaRouche's visit, which had been announced by the local newspapers, started on Oct. 7, with a conference hosted by the Chamber of Commerce of the Province of Ascoli Piceno, with the participation of all institutional and community leaders. LaRouche was introduced by Enio Gibellieri, chairman of the Chamber of Commerce, and was preceded by short speeches by the Mayor of Ascoli Piceno, Eng. Piero Celani; the representative of the Provincial government, Mrs. Paola Armellini, who is in charge of the Development Department; and Prof. Gianluca Gregori, a teacher of economics at Ancona University. These dignitaries had prepared a series of questions for LaRouche, and engaged him in a high-level discussion.

After the conference, which occupied the whole morning, and the ensuing banquet, the visit proceeded with a convivial meeting in the evening, hosted by the Ascoli section of the International Kiwanis Club.

The next day, Sunday, after touring the city in the morning, the LaRouches were hosted by a group of local political cadres, together with Dep. Gianluigi Scaltritti, a member of the National Parliament from Forza Italia, the largest opposition party.

The last day of the LaRouches' stay in Ascoli, was dedicated to a visit to the shoe district. In the town of Montegranaro, Mr. and Mrs. LaRouche were hosted by the municipality and visited a testing laboratory, as well as the school for shoe manufacturers. LaRouche, who grew up in the shoe industry (his grandfather and his father were shoe producers, and he himself worked as a consultant to the shoe sector until 1965), took special pleasure in visiting the almost fully automated, experimental machines, as well as the older tools, with which young trainees, starting at age 14, learn how to make shoes, both in the old and in the modern way. When they leave school, at age 18, the students have mastered every stage of the production process, and are able to make high-quality shoes from the design, down to the last detail of production. The school is incorporated as one department of the local technical high school. After graduation, students can choose whether they will enter the labor market (where they easily find a job) or university. Among the remarkable features of the school, which is supported by the local industry as well as the National Association of Machine Producers (which supplies the equipment for free), is the fact that the teachers are often retirees: former business leaders or artisans who decide that their productive life has not ended with the retirement years, and who dedicate them to training the younger generation.

The town of Montegranaro, which is the historical starting

point of the Piceno shoe district, today contributes 27% of Italian shoe exports. With 12,000 inhabitants, Montegranaro has fully 6,500 employees in the shoe industry, who produce and market 150,000 pairs of shoes per day. Mayor Luigi Bassi, who received the LaRouches at the end of their visit, reported how the shoe industry started to develop at artisan level at the end of the 19th Century, when the people of Montegranaro, who lived as share-cropping peasants (*mezzadria*) until as recently as 1950 (when the national land reform was implemented), started to develop their skills as shoemakers, to find an additional source of income to survive. In order to do this, they had to sharpen their brains — and they succeeded.

In the evening, the LaRouches' visit was crowned by a public meeting held in the City Hall at the magnificent Palazzo dei Capitani, a Renaissance building in the famous Piazza del Popolo of Ascoli Piceno, a central square called, for its suggestive beauty, the "living room of Ascoli." The meeting was chaired by Andrea Antonini, the Minister for Culture in the city government.

A New Dark Age, or a Renaissance

Throughout all the meetings, Lyndon LaRouche's intervention was extremely well received. Although not a few in the audiences were shocked at hearing an assessment of the international economic situation so dramatically different

from the fairy tales they have been reading in the press, they took extremely seriously the call for "learning the nature of the problem," as LaRouche put it. "In a city in which the memory of the past is so present today, in its monuments," said LaRouche, "including the famous wars between Ascoli and Rome in 89-91 B.C., that is not difficult." LaRouche discussed examples of past dark ages and collapses of civilizations, and of subsequent recoveries, including the 15th-Century Italian Renaissance, to indicate the source from which the lessons of the past must be drawn, in order to know how to act in the present, when the collapse of the international financial system, the ensuing depression, and oligarchical policies threaten to throw the world into another Dark Age.

"The present financial and monetary system is bankrupt. It could disintegrate tomorrow, next week, or next month; we do not know exactly when," LaRouche said. In that condition, the wrong reaction is to succumb to panic. "What I saw in this region," LaRouche said, gives me confidence that the people of this area have the potentiality to survive the threat, because they "are closer to reality than other populations in Italy or in the rest of the world."

The 'New Economy' Is a Fraud

The most devastating blows of the coming financial collapse, said LaRouche, in terms of destruction of employment

Italian Press Reports LaRouche's Warnings

The following article by Vittorio Bellagamba appeared in the daily Il Resto del Carlino on Oct. 8, under the headline "Economist Lyndon LaRouche Speaks: A Crisis Will Shake Up the World."

ASCOLI—Forecasts in dark shades were painted yesterday by economist Lyndon H. LaRouche, speaking in the meeting which took place yesterday in the Sala Gialla [Yellow Hall] of the Chamber of Commerce of Ascoli Piceno.

"We are entering into a characteristic phase of a very great crisis"—said the U.S. economist and candidate in the coming Presidential election—"that will inevitably involve the most advanced economic systems."

He harshly criticized the methods used by government agencies who issue economic statistics in the U.S.A. According to LaRouche's movement in America, there exists a notable lack of reliability in the statistics issued by the

government, which was recently confirmed also by the German central bank. In fact, the buzz about the New Economy results from a strategy which, on the one side, is a desire to make people believe that all is well, and, on the other, to draw liquidity into the markets.

All this characterizes a speculative bubble which could burst very soon, "perhaps within a few days or weeks," as LaRouche said. It is a worrisome situation that seems to leave very little room for optimism. However, according to the same U.S. economist, the system of the small and very small businesses, characterized by the high incidence of artisan enterprises, and by a still well-organized agricultural sector, could represent a valid response to a negative conjunctural phase which involves the whole world. "The other subject matter of real economics," LaRouche said, "is that the agricultural activity that characterizes this region, will prove to be a very positive factor for overcoming periods of crisis." The Adriatic model of development therefore could become the best "antidote" also, for emerging from periods of severe crisis like that foreseen by LaRouche. The American economist is not new to forecasts that have been confirmed by reality. Suffice it to say that LaRouche, in 1988, forecast as imminent the collapse of the Soviet economy, which was then borne out.



Lyndon LaRouche (third from left) and Helga Zepp-LaRouche (left) inspect experimental machines at the Montegrano school for shoe engineers, in Ascoli Piceno. The machines handle the complete cycle of shoe production, which replaces the work of five people.

and of economic activities, will hit large corporations (especially those which have practiced outsourcing), banks, and financial services. The entire sector called the “New Economy” will be swept away. Some computer-producing firms will survive, because the economy needs computers, but most of them will go bankrupt. Smaller firms, more closely integrated with the areas in which they are located, will be hurt, but they will survive. If they produce useful things, they will always find a market for their product.

Answering questions raised from Mayor Celani and Professor Gregori at the Chamber of Commerce conference, LaRouche addressed the myth of the “New Economy,” which he even objected to calling by that name. Professor Gregori had suggested that, besides the manifest speculative element in the “New Economy,” the technology as such is relevant to increase productivity and should not be discarded *a priori*. “What you refer to,” LaRouche answered, “are advances in technology of accounting and communication methods. It is of course useful, and should be applied, but it is nothing new in principle and should not even be called ‘new economy.’ The risk in introducing those new technologies, which is what traditionally occurs in such cases, is that the personnel in the firm are not trained well enough to deal with the new technologies, or are not able to repair them in case of breakdown. This risk could jeopardize the entire production of the firm, if you do not expect it. Therefore, people should be trained in it. That is all.”

Thanking LaRouche for his explanation, Eng. Cinzia Fe-

lici, representing the local university, reported that, in compiling a project on the New Economy, they had come to a similar conclusion, that the idea of an economic revolution because of the “New Economy” should be rejected.

Infrastructure and Productivity

LaRouche encouraged local administrators, both political and business leaders, to set the priority on protecting employment from the effects of the world financial collapse. Community associations must come together and promote employment projects, in useful projects, like infrastructure, which promote the general increase of productivity.

Piceno province is relatively well off in terms of employment (6% unemployment, against an official national average of more than 10%) and income, but it has a deficit of infrastructure of 20-30% below the national average. This means, for instance, there is no railway or even a direct highway connection to the west, through the Appennines, nor an airport. There is also no direct, modern transportation route connecting the southern part of the province, Ascoli, to the shoe district around Fermo in the northern part. The only highway connection is along the coast, while the direct route, through the Piceno hills, is still the old one, which is too slow.

Since all this infrastructure must be built, the question was raised: How could we finance it? This led LaRouche to explain the concept of national banking, after the model set up by Alexander Hamilton after the American Revolution. In one case, at the City Hall meeting, this provoked a lively

debate with Prof. Giacinto Auriti, a teacher at the nearby Teramo University, who has legally challenged the Italian central bank on the issue of sovereignty over state money. Although he agreed that the central banking system is an oligarchical system (“it is run by merchant bankers after the model of the Venetian *fondi*”), LaRouche stressed that the key is not “property” over money, but the question of how the money is used. Credit issued by the state must be used to promote useful sorts of consumption, both material and intellectual, to promote the general increase of productivity in the population, LaRouche said.

The general issue behind the question of productivity, LaRouche said, must be learned from universal history and the history of Italy. “Despite the fact that Italy, thanks to the great tradition in hydrodynamics started by Riemann, Betti, and Beltrami, was leading the world in the related aspects in aeronautics and space technologies in the 1930s, Mussolini entered the war with only 35 modern combat aircraft.” Mussolini would cover for this situation by continually moving the same 35 planes through the various military airports. The rest of the air fleet was composed of old, World War I biplanes. Italy was the first in the world to develop a jet engine, but in order to equip its planes during World War II, it had to have engines delivered from Germany. Why?

The reason is that, until about 1950-60, Italy had great

scientists, but never developed the general population so that they could assimilate and apply the benefits of scientific and technological development in a general increase of productivity. In promoting a recovery after the crash, LaRouche said, we therefore have to go back to those principles of economic policy successfully implemented in the 1950-60 decade in rebuilding Italy. One example is the way the Cassa del Mezzogiorno, a development agency for southern Italy, worked during that period, similarly to the way the Tennessee Valley Authority functioned under U.S. President Franklin D. Roosevelt.

The reason it worked, was because, on the one hand, you had an elite of scientists and engineers who could produce the technology; on the other hand, you had a population who enjoyed the benefits of freedom and of education, especially Classical education, which enabled them to assimilate the ideas of scientific progress, and transform them in the form of applied technology. This is the secret of productivity: Promote fully the greatest resource you have, which is the creative powers of your population. Therefore, the question of economic productivity becomes immediately a question of culture. Great art, like the dramas of Friedrich Schiller, Shakespeare, and Giuseppe Verdi, has an indispensable role, LaRouche said, in fostering associations among individuals and preparing them to assimilate scientific progress.

The Energy Price Crisis

Naturally, a great issue of concern for LaRouche’s listeners was the oil price question. “Should we declare war on OPEC?” asked Chamber of Commerce chairman Gibellieri provocatively, “Or, is there another way to bring down oil prices?” A similar question was raised by students at the meeting in the Palazzo dei Capitani, with emphasis on possible development of alternative energy sources.

This gave LaRouche the opportunity to explain the nature of oil price inflation, for which, he said, OPEC is not to blame. The nature of oil price increases has to do with the way the oil market has changed after the 1970s, LaRouche said, and with the phenomenon of asset-price inflation spilling over the real economy. “By the time an oil tanker has sailed and reached its destination, maybe going around the world,” LaRouche said, that oil delivery has changed its property title 15 to 20 times. This is due to the oil futures market in London and New York. There, speculation invents a new commodity, which is “paper oil,” and pumps its price up. In addition, as a result of the process of mergers and acquisitions, the oil cartel is pushing the prices up in order to meet financial obligations deriving from these mergers and acquisitions. And finally, the United States government is pushing oil prices up, to keep the value of the dollar high, in order to finance the unmanageable current account deficit.

In this situation, governments must simply adopt policies which are familiar to Italy since the era of Enrico Mattei, the founder of the Italian national oil industry in the postwar

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period. What you have to do, LaRouche said, is to establish long-term agreements between oil-producing and oil-consuming nations, on a 20-25 years basis, to exchange oil for technology. In this regard, LaRouche praised the recent initiative taken by European Union Commission President Romano Prodi (“a man I do not praise often”) and German Chancellor Gerhard Schröder, who started to negotiate a deal exactly in this direction with Russia. LaRouche compared the EU-Schröder initiative to the famous deals between Germany and Russia at the 1921 Rapallo conference.

The other question concerns alternative sources. Although there is no energy source that can fully replace oil in the medium term, nuclear energy is the safest alternative that one could promote now. The decisive factor is energy flux-density, LaRouche explained, which makes nuclear energy productive and rejects such sources as solar energy. The only problem with nuclear energy, is that you do not want stupid or incompetent people to handle it; but you solve that with education. Otherwise, oil can be made cleaner and more productive, if we refine the product at the source of extraction, LaRouche said. In the case of Ascoli, a port facility to receive refined product and a new power station to process it would be ideal, in order to have a surplus energy potential. Every region should have a potential of energy production surplus.

If governments establish such state-to-state energy agreements, they will outflank and neutralize the futures market speculators. Of course, they must also streamline refining and deliveries, setting priorities. The experience in doing this will be useful for the next job, once the financial collapse has struck: the bankruptcy reorganization of the financial system. Then, long-term development agreements must be established to launch infrastructure projects connecting western Europe to the rest of the Eurasian land-mass, the Middle East, and North Africa. This will bring the real recovery. Mrs. LaRouche was asked to explain the LaRouches’ role in organizing worldwide support for the project called “the New Silk Road” or Eurasian Land-Bridge, which she did, recounting the evolution of the idea, starting from LaRouche’s Paris-Berlin-Vienna “Productive Triangle” proposal of 1989.

Again and again, in meeting local administrators and business leaders, LaRouche stressed that the key in times of crisis is to mobilize the population to support development initiatives. In order to achieve this, he said, you must tell people the truth! You have to stop lying or telling fairy tales. “If you tell the truth, you will win the confidence of people. If you then are *right*, they will follow you.”

Discussing economic issues led the audience to grapple with the underlying cultural and moral questions. The problem today is that civilization is collapsing because of its own culture, LaRouche said. If you look at the mass entertainment media, you see that we are replicating the *panem et circenses* (bread and circuses) policy of the late Roman Empire, which

brought doom upon that civilization. An aspect of this, as Mrs. LaRouche was invited to discuss at the Kiwanis Club meeting, is the proliferation of the so-called “New Violence.” The New Violence is not only the youth violence induced by addiction to Nintendo sorts of computer games, or the police violence resulting from training in similar sorts of computer simulations, but as part of the New Violence, you can see the increasing promotion of the death penalty in the United States. Against this barbarism, Mrs. LaRouche said, there is only one remedy: Return to Classical forms of education.

The intense three days of meetings and discussions left a deep impact on the city, and a very positive impression on the LaRouches. Two national newspapers, *Il Messaggero* and *Il Resto del Carlino*, published favorable articles on the trip, while the local news program of the national TV network Raitre broadcast several times a report on the conference at the Chamber of Commerce. Lyndon and Helga LaRouche received artistic gifts from the Chamber of Commerce, the Ascoli municipality, and the Kiwanis Club, as well as a beautiful pair of hand-made shoes from the Mayor of Montegrano.

U.S. Strategic Reserve Oil Flows to Europe

by Edward Spannaus

On Sept. 22, Energy Secretary Bill Richardson announced the intention to release 30 million barrels of oil from the U.S. Strategic Petroleum Reserve (SPR), saying that it was called for to provide Americans with home heating oil, when inventories are low, and prices are high. But, like pouring water into a bucket with a hole in it, U.S. Reserve oil is now going into the U.S. oil system—to designated private companies, while at the same time, Northeastern-based refineries are *shipping home heating oil from the U.S. over to Europe!* The companies involved are counting on mega-profits.

What’s really scandalous about this, is the fact that all along the line, it was knowable in advance what would happen. Secretary Richardson, and those in the “industry,” know that heating oil has been going for many months from the Northeastern states to Europe, because there the price has been higher for this product (called gasoil, and used for either heating or diesel fuel). And also, because most national security constraints on the U.S. energy industry (natural gas, as well as oil, and also electricity) have been successively removed in recent decades of increasing deregulation, globalization, and cartelization.

The fact that U.S. heating oil is going to Europe was conspicuously ignored in the Administration’s release order