Italian Plan for Growth Becomes European Plan

by Claudio Celani

"The Italian plan has now become the European plan," announced Italian Finance Minister Giulio Tremonti, at the end of July 14-15 meeting of the European Union members' economic and finance ministers (Ecofin) in Brussels. Led by the Italian EU presidency, the Ecofin has given a formal mandate to the EU Commission—in collaboration with the European Investment Bank (EIB)—to elaborate a technical scheme for implementation of the "European Action for Growth" plan. This has become better known as the "Tremonti Plan," or the "European New Deal," because it shifts Europe to a policy of using new infrastructure public works to build itself out of the worsening economic depression.

The Commission and the EIB shall now work out detailed schemes to make available a critical mass of up to 70 billion euros yearly, in a combination of public and private capitals, to jump-start the European economy through trans-national infrastructure projects. Many see this as a result of the influence of Lyndon LaRouche's ideas, which have been discussed, debated, and voted in Italian political circles and institutions over the past years.

'Intrastructure Bonds' Are a New Feature

"We have now to define the financial balances of the plan, its impact on national and European budgets, as well as on economic growth," said Tremonti. EIB Chairman Philippe Maystadt said that the bank is already able to issue direct credits for a total of 100 billion euros between now and 2010, and can guarantee bond issues to sell on the private capital market. This, plus other funds coming directly from the EU budget for Trans-European Networks, or TENS projects, should add up to the figure indicated by Tremonti, equal to 1-1.5% of European GDP. In October, the Commission will present a first technical study on the feasibility of the plan, to be definitely adopted by December, when the last European Council of heads of state and government chaired by Italy will meet.

The European Action for Growth represents a decisive shift in EU economic policy, away from the Malthusian budget balancing represented by the Maastricht criteria and the "Stability Pact." Supporters of the old Maastricht policy have opposed the Tremonti Plan, pushing "structural reforms"—i.e., cuts in public spending for pensions, health care, and education, plus deregulation of the labor market—which are no solution to the crisis. Stressing the shift to reality, Tremonti has repeated that European economies are going through "a crisis which is not just a banal, negative cycle, but something more," and that structural reforms "will not work without an adequate plan for public and private investments."

Enemies of the Tremonti Plan claim it would violate the Stability Pact, which demands that member countries keep budget deficits less than 3% of GDP. But behind the scenes, everyone in the Ecofin agrees that the Stability Pact is dead; France and Germany, the two largest EU countries, will violate the 3% cap for the third year in a row in 2004. Additionally, Italy and even the "first-class budget balancers" like the Netherlands are expected to violate it. Although nobody will make the official pronouncement that the Pact is dead—on the contrary, everyone swears to respect it—nations are de facto ignoring it. This makes it easier for EU member-states to directly participate in the Tremonti Plan with their public funds.

But the really new aspect of the European Action for Growth is the "Infrastructure Bonds"—bonds to sell on the private capital market with EIB guarantees, to involve private capitals in financing plan. This is a technique successfully used by the Franklin Roosevelt Administration in the original New Deal program; it was also used by Italy in the postwar period, in which Italian highways were financed by a combination of public funds and private capital, by selling state-guaranteed bonds that were repaid from highway revenues.

Public Credit, Not Public Debt

Similarly, Tremonti has proposed that the EIB open a facility that can sell state-guaranteed bonds, to be repaid with revenues from highway tolls or ticket sales from the high-speed passenger railways. The same goes for other infrastructure facilities, such as energy, water utilities, etc. Those transport infrastructures could be managed by a private, public, or semi-public company, through a concession. The long-term loan structure, 35 years, which the EIB proposes, makes such an enterprise comfortably profitable.

Tremonti emphasized that, through such a bonds scheme, European infrastructures can be financed without increasing public debt. True, a state guarantee is potentially a state debt, but only should the revenues from the projects fall short of what is necessary to repay the guaranteed debt and debt service. But this is a residual risk of all productive economic activity, which should not constitute a deterrent to the investment. Even there be a bankruptcy—as the English Channel Tunnel has demonstrated—economic productivity increases through the new infrastructure, and the general economy benefits from it.

The Trans-European Networks can spark increases in regional economic productivity of as much as 50%, in places such as as Northeastern Italy and other transport bottlenecks;

the new EIB facility's low-interest bonds allow low fares or user fees for the new infrastructure.

In reality, opponents of the Tremonti Plan are reacting to the plan's "regulatory" character—that it brings the role of nation-states again into play. Putting a state guarantee on a "financial product" tremendously violates the taboo of free competition! Thus the most reactionary of international financial interests have unleashed a campaign through the London *Financial Times,* Germany's *Die Zeit,* and others, employing arguments that show their authors had not even read the original Tremonti Plan, available in English on the website of the Italian EU presidency.

Tremonti Plan and LaRouche Strategy

So far, despite attempts at sabotaging Italy's six-month EU presidency, like the one in Strasbourg on July 2 (see *EIR,* July 18), the Tremonti Plan has been on schedule. It was possible to build support for it at the highest level, of heads of state and government. As German Finance Minister Hans Eichel admitted at the Brussels Ecofin meeting, decisions on the European Action for Growth are a top agenda item of the highest EU body, the European Council, comprised of the EU heads of state and government, including Eichel's boss Chancellor Gerhard Schröder, French President Jacques Chirac, and Italian Premier Silvio Berlusconi.

Additionally, sources close to the Italian government have told *EIR* that Prime Minister Berlusconi intends to convince U.S. President George W. Bush to support the Tremonti Plan, being in the U.S. interest as well. Democratic Presidential pre-candidate Lyndon LaRouche, the leading "Roosevelt economist" in the world, has welcomed the Tremonti Plan, stressing its potential in the realization, along with current Chinese, Russian, and Indian efforts, of the "Eurasian Land-Bridge" project for development corridors. In a campaign document, "Sedate That Accountant," LaRouche discussed the Hamiltonian economics which Tremonti implicitly represents, as opposed to Keynesian schemes (see *EIR,* July 18). LaRouche explained, there is an "inherent price-inflation" as a "result of what is described as the 'multiplier factor,' in a Keynesian system, such as that of Keynes' Bank of England. An arbitrary discount factor is added into the capital financial expansion of both productive investment and trade. The relatively most vicious form of this development occurs in what Herbert Feis described as a sick global system of international financial loans, such as the post-1971 IMF 'floating-exchange-rate' monetary-financial system."

LaRouche further stressed that "On the contrary, a protectionist Hamiltonian system of national-banking-orchestrated credit expansion, is characteristically deflationary, but nonetheless expansionary, most of the time. This advantage tends to be prominent in a well-regulated, protectionist form of fixed-exchange-rate monetary-financial system."

Thus the new pro-growth European policy will be successful only under a general reorganization of the international financial system, the New Bretton Woods proposed by LaRouche. An effort in the Italian Senate is ongoing, to vote up a resolution calling on Rome to launch an initiative. The motion, sponsored by Sen. Oskar Peterlini, is supported by 77 members, from all parties, and expected to be discussed in a plenary session.

New Bretton Woods Move in Italy

On July 9, Peterlini intervened during a Senate session, soliciting from Senate Chairman Marcello Pera an early discussion of the motion, which "concerned the crisis of the financial markets, the collapse of the markets of the speculative bubble, and contained the request to move on the international bases to promote, through the initiative of the Italian government, a new conference at the level of heads of states and governments and Parliaments, following the example of the 1944 Bretton Woods conference. . . . I believe that the time has come for the Italian government to take the initiative internationally to promote and convoke a New Bretton Woods."

The Senate Chairman committed himself to schedule a debate.

LaRouche's New Bretton Woods received another prominent endorsement in Italy, from the largest Catholic missionary press agency, Misna. Misna is particularly associated with the Comboni missionary order, founded by Msgr. Daniele Comboni, who fought against colonialism in Africa, and whose canonization file was opened by Pope Paul VI.

Fr. Giulio Albanese wrote in the March 12 issue of Misna's bulletin, an article, entitled "We Need a New Bretton Woods, Not a Preventive War," in which he said: "I have the feeling, more and more, that faced with unsustainability of the gap between the speculative bubble and the real economy, the White House is using the war on terrorism as a pretext to cover for geopolitical and economic interests. . . . One thing is sure: Never as much as today, has a world financial reorganization been necessary to give more oxygen to the economies that have been looted for so long by tricky usurers. Intelligent economists are calling for a New Bretton Woods, that is an international conference to penalize any type of speculation and . . . to establish monetary parities to promote healthy, long-term development, aimed ultimately at all peoples' development. In other words, sovereign nations must be allowed to regain control over economic leverage, against the free market ideology of not a few financial lobbies." Citing "American economist Lyndon LaRouche . . . the promoter of a New Bretton Woods," Father Albanese quotes LaRouche saying: "If I were President of the United States . . . I would do what your Enrico Mattei [the late leading Italian industrialist] did: I would sign contracts directly with oil-producing countries, bypassing oil companies, which in that case will no longer be able to unload, on prices, those debts which are produced by speculation and by mergers and acquisitions."