

After the G8 Summit: New Bretton Woods Drive Continues in Italy

by Andrew Spannaus

July 24—In the aftermath of the G8 Summit held in L'Aquila, Italy, in early July—yet another international gathering which failed to take decisive action to deal with the ongoing global economic breakdown crisis—the significant pro-New Bretton Woods faction in Italy is once again acting to support the bankruptcy reorganization of the international monetary and financial system as proposed by Lyndon LaRouche. In the context of the post-summit Parliamentary debate, Sen. Oskar Peterlini has introduced a policy resolution calling on the Italian government to act to “achieve a fundamental change in the international monetary and financial system, based on the principles of the New Bretton Woods...”

Peterlini, who represents the South Tyrolean People's Party in the Trentino Alto Adige region, presented a similar resolution calling for LaRouche's New Bretton Woods in October of 2008, leading to a wide-ranging floor debate in the Senate on Feb. 24 of this year, over the measures needed to effectively deal with the current crisis.

In introducing his motion on the G-8 results in the Italian Senate debate July 21, Sen. Oskar Peterlini again mentioned Lyndon LaRouche: “Our calls and those of many other prominent experts, such as U.S. economist Lyndon LaRouche, have remained without response, with the result that today we are facing a crisis that threatens to become as disastrous as the 1929 crisis.”

A Brawl with the British

The new initiative must be seen in the context of the ongoing fight between the British Empire faction, on the one hand, and the forces working to further the type



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Sen. Oskar Peterlini (right) has introduced a resolution, following the G8 Summit in L'Aquila, Italy, calling on the Italian government to adopt a New Bretton Woods system. He is pictured here with (left to right:) Sen. Alberto Maritati, LaRouche representative Andrew Spannaus, and Lyndon LaRouche, at the Italian Senate, June 17, 2009.

of reforms proposed by LaRouche, on the other. As a result of the numerous interventions by the LaRouche movement in Italy in recent years, and due to Italy's somewhat unique political situation in the industrialized world—in which there are a certain number of intelligent politicians who are not afraid to publicly speak their minds—in the run-up to the L'Aquila G8, Italy essentially came to represent the pro-New Bretton Woods position. This is, in no small part, due to the role of Italian Economics and Finance Minister Giulio Tremonti, who has been a vocal supporter of a reorganization of the international financial system, and has not been afraid to say that he has taken some of his ideas from Lyndon LaRouche.

During Italy's rotating presidency of the G8, Tremonti sponsored a process of discussion among the



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Senator Peterlini (center) wants to ensure that the upcoming discussion of the “Lecce Framework,” at the Pittsburg G8 in September, is focussed on LaRouche’s conception of a New Bretton Woods. Lyndon LaRouche is to his right, Helga Zepp-LaRouche, at his left.

member nations concerning new rules for the global economic and financial system, now known as the “Lecce Framework,” a document adopted at the G8 Finance Ministers meeting in Lecce, Italy on June 13. That document is intended as a basis for the discussion of stronger rules for the international economic and financial system; yet, at present, it fails to go beyond the type of measures proposed at the April G20 summit in London. These include weak rules regarding “transparency,” and a further concentration of power in the hands of the very institutions which have promoted the globalization policies that are at the root of the current crisis.

Suffice it to cite the additional “supervisory” powers to be given to the Financial Stability Board and its chairman Mario Draghi, head of the Italian central bank, and longtime supporter of London’s pro-globalization agenda, to recognize that the goal is to prevent sovereign nations from acting to change the current system; as long as power remains in the hands of the globalizers, “transparency” will be used to ensure that no fundamental changes will be made.

Dominated by King Canute Proclamations

While the G8 summit itself was dominated by a discussion of how to convince the Earth’s climate to obey

the G8’s King Canute-like proclamations, with President Barack Obama aiming to take credit for brokering a consensus on the adoption of a useless, anti-human plan for the reduction of CO₂ emissions, it is clear that behind the scenes, the fight over how to deal with the economic crisis rages on. Numerous international press outlets, led by the London *Guardian*, did their utmost to discredit Italy’s leadership of the G8 in the run-up to the summit, claiming that the preparations and discussion were in a state of chaos, and fanning the flames of Prime Minister Silvio Berlusconi’s sex scandals in order to destabilize the whole event.

Given the City of London’s record of recent attacks and threats against Tremonti, there is little doubt that their real fear was that

some sort of fruitful discussion could emerge on the issue of the New Bretton Woods.

Peterlini’s resolution aims to provide visibility and support to the pro-reform faction. While the resolutions introduced by other parliamentary factions on the subject of the G8 were generally dominated by mindless partisan grandstanding, Peterlini’s focus on the need to guarantee that the discussion of the Lecce Framework, which is scheduled to continue in the period leading up to the Pittsburgh, Pa. G20 meeting (Sept. 24-25), is based on LaRouche’s conception of the New Bretton Woods. Of particular note, is the identification of the current proposals for reform as useless attempts to regulate a system which, in fact, needs to be replaced. After laying out the essential points of the resolution he proposed in October 2005, the motion reads:

“In fact, the mechanisms which are at the root of speculation, which lead to the divorce between financial movements and real economy activity, have not been called into question: Securitization, which breaks the link between the financing institution and the customer, allowing banks and financial companies in general to use debts taken out by citizens as assets to be traded in a market whose only aim is to find new sources of profit through extreme amounts of leverage; the widespread use of derivatives, which, from their initial

purpose as protection for farmers, have become the central element of a financial bubble which is so large that it must be quantified in quadrillions of dollars, dwarfing the size of the real economy;

“Although it is essential to regulate all financial instruments, if we wish to change the orientation of the economy, it is not sufficient simply to have more in-depth information available, or to establish criteria such as limits on executive pay or strengthening of measures against corruption and tax evasion; the risk is that we will simply know more about and bring an apparent sense of stability to the same practices which are actually part of the cause of the problem: the financialization of the economy....”

As a result of the late start of the session on the G8 resolutions, due to the opposition’s attempts to exploit the sex scandals surrounding Prime Minister Berlusconi (not unlike what took place in the U.S., in the late 1990s), the floor debate was suspended, and its conclusion and votes on the various resolutions are expected to occur the last week of July.

Documentation

The Peterlini Resolution For a New Bretton Woods

July 21, 2009

Peterlini, Pinzger, Thaler Ausserhofer, D’Alia, Fosson, Cintola, Cuffaro, Gai (1-00171)

The Senate,

Whereas: From July 8 to 10, 2009, the G8 summit was held in L’Aquila, providing an important forum for discussion among the leaders of the principal countries from around the world;

The summit was a considerable success for Italy, and thus for all of those who participated in its organization, and in particular for the institutions of the Italian Government, despite the attempt by certain international media to call into question Italy’s role precisely at this time; we must also acknowledge the great sense of responsibility of almost all of the political forces in Italy;

Under Italy’s rotating presidency of the G8, the Italian Government, and, in particular, the Ministry of Economics and Finance, promoted a process of discussion and debate among the governments of the member countries, concerning the need for an incisive reform of the international financial and economic system, following the serious crisis which continues to shake the global economy, causing a rise in unemployment, the loss of production capacity, and difficulties in all areas of the economy, but especially among the most vulnerable segments of the population, in our country as well;

Our country can be particularly proud of the discussion process launched by the government to identify a series of principles which constitute the basis of the “Lecce Framework” adopted in the meeting of the G8 Finance Ministers in Lecce on June 13. The Lecce Framework was cited in the official communiqué of the G8 as the basis for a further elaboration of the measures necessary to jointly establish new rules for the global economy, in order to avoid a repeat of the financial practices which have characterized the speculative bubbles of recent years, and the dramatic consequences of this phenomenon on the real economy;

Indeed, the process of financialization of the global economy, starting in the United States and Europe, has been ongoing for almost four decades, with a process that essentially began with the decoupling of the dollar from gold, followed by a process of deregulation which had the effect of shifting investments towards short-term financial activities, and pulling capital out of productive activities. A succession of speculative bubbles, involving State bonds, the so-called New Economy, and, most recently, mortgage securities, has brought the entire international monetary and financial system to the brink of collapse in recent months;

The response to this crisis from the leading governments has concentrated almost entirely on the attempt to stabilize the banking and financial sector, through expenditures by central banks and legislative initiatives which in the industrialized nations alone have reached the staggering amount of over \$10 trillion; yet, these measures have failed to stop the hemorrhage of jobs and well-being among the population;

The principles set forth in the Lecce Framework, which have been indicated as provisional and the basis for a broader discussion, concentrate on rules to guarantee the transparency of financial institutions, an increase in oversight, measures against tax havens, and

the stability of the system;

These principles, despite being important to ensure stability, represent only one portion of the measures which need to be adopted to put an end to the financialization which has distinguished the global economy in recent decades;

Indeed, there are two possible methods of dealing with the current crisis: to implement a “correction,” by tightening certain rules for the financial and business sector, but without making a true change in the approach which has dominated in recent years; or, to bring those reforms to a systemic level, removing the pathologies which led to the current crisis; this concept has also been expressed by the Economics Minister Giulio Tremonti, who has called for a new system “based on ethics”;

In February 2009, the Italian Senate debated a series of resolutions on the issue of the “New Bretton Woods” (Policy Resolutions 1-00029, Peterlini et al.; 1-00032, Morando et al., 1-00035; Bricolo et al., 1-00036; Baldassarri et al., 1-00033; and Lannutti et al.), that is, a reorganization of the international monetary and financial system which allows for stopping the immediate effects of the crisis and laying the basis for a healthy, non-speculative economy in the future;

The principal points of the New Bretton Woods are:

1. the reorganization of the system, following a model of a Bankruptcy Reorganization, in which speculative debts (derivatives and “toxic waste”) are cancelled, while protecting the savings of families and guaranteeing financing for essential activities in the real economy. We must restore the division between ordinary banks and other financial institutions, stopping the mixture between pure speculation and the real economy at its root;

2. new rules which guarantee the stability necessary for production and international trade: a) exchange rates decided through treaties among nations (“fixed exchange rates”), thus avoiding speculative market fluctuations; b) controls on the transfer of capital for speculative purposes (“capital controls”), favoring long-term investments in the productive economy;

3. a credit system, rather than a purely monetary system, which guarantees low-interest, long-term investments in infrastructure, industry and high technology (“productive credit”) to break with the orientation in recent decades which has encouraged the pursuit of

quick profits while penalizing productive activity;

Despite the attention paid to this issue in international meetings, and in particular at the G20 held in London on April 1, 2009, and the recently-concluded G8 held in L’Aquila, the reforms proposed in those locations do not reach the level of systemic reforms;

In fact, the mechanisms which are at the root of speculation, which lead to the divorce between financial movements and real economic activity, have not been called into question: securitization, which breaks the link between the financing institution and the customer, allowing banks and financial companies in general to use debts taken out by citizens as assets to be traded in a market whose only aim is to find new sources of profit through extreme amounts of leverage; the widespread use of derivatives, which, from their initial purpose as protection for farmers, have become the central element of a financial bubble which is so large that it must be quantified in quadrillions of dollars, dwarfing the size of the real economy;

Although it is essential to regulate all financial instruments, if we wish to change the orientation of the economy, it is not sufficient simply to have more in-depth information available, or to establish criteria such as limits on executive pay, or strengthening of measures against corruption and tax evasion; the risk is that we will simply know more about, and bring an apparent sense of stability, to the same practices which are actually part of the cause of the problem: the financialization of the economy;

Precisely due to the great deal of attention focused on these issues by governments, parliaments and populations throughout the world at this time, it is necessary to act now to carry out systemic reforms, before the old practices take over again and the representatives of special interests succeed in blocking the forces of change;

Therefore, the Italian Government shall:

In view of the upcoming G20 Summit [Sept. 24-25], to be held in Pittsburgh, [Pa.], act to carry forward and expand the goals of the Lecce Framework in all international fora, in order to achieve a fundamental change in the international monetary and financial system, based on the principles of the New Bretton Woods: Economic growth must be based on progress in the real economy and the improvement of the actual living conditions of all peoples in the world, and not on speculative mechanisms as a source of illusory gain which actually harms the well-being and stability of society.