

The Latin Coup

Overcoming the Crisis by Mistake

Leopoldo Salmaso



In this fiction the author makes happen what our politicians are not doing to address the global crisis. Thanks to the fiction, he captures the attention of the readers and accompanies them, with examples and simple explanations, along a tour of critical self-learning. Why are the current recipes against the crisis counterproductive? Why are economists and politicians embroiled in a vicious circle, and how can we get out of it? Like the characters of the story, the readers are helped to think for themselves and to regain political and monetary sovereignty.

This booklet first inspires curiosity as a thriller, then the reader feels stimulated to carefully review some of the short and trenchant chapters with emblematic titles, to focus on the crucial problems they analyse. Valuable help for non-experts, friendly guide in the jungle of countless, often shamefully impenetrable, economic and financial literature.

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To my mother,
who persisted in keeping me alive
when my rating was an inexorable 'Default'.
And in memory of my father,
who gave his large family
security and confidence in the future.

To my wife and my children.

To those who know how to be weak with the weak,
and strong with the strong.

To Bernard Maris,
Anti-Economist who taught me a lot,
murdered “by mistake” at the Charlie Hebdo, Jan 2015.

“Difficulty lies not in the new ideas presented here, but in escaping the old ones which ramify into every corner of our minds”
John Maynard Keynes, 1936

“[In Economics] complexity is used to disguise or to evade truth, not to reveal it. The process by which banks create money is so simple that the mind is repelled”
John Kenneth Galbraith, 1975

“Only commercial banks can lend money that they manufacture by lending it”
Irving Fisher, 1935

“The credit system assures to this class of parasites a fabulous strength, such to periodically decimate the industrial capitalists”
Karl Marx, 1848

“To say that a State cannot pursue its goals for lack of money is like saying that an engineer cannot build a road for lack of miles”
Ezra Pound, 1939

“Nothing is more political than money”
James Tobin, 1981

“The Hand of the Market is invisible for the simple reason that it does not exist”
Joseph Stiglitz, 2001

“If only half of the criticism that ‘The Latin Coup’ moves to the orthodoxy is true, I will give up my father’s business and do friar!”
Apocryphal, attributed to Francis of Assisi, 1206

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1 Return to the Cold War

"Have we gone back to the Cold War?", exclaimed Ambra looking at the long queue at the border post of Pese, towards Trieste, then added: *"I couldn't understand the queue earlier, entering Slovenia from Croatia, but this border... we're within the European Union, aren't we?"*.

"Sure", confirmed Davide her brother in law, whilst drumming on the steering wheel. *"Two days ago, when we passed here exiting Italy, the guardhouses were abandoned. Not a living soul around, only some signs telling us we were entering Slovenia, with the national flag next to the EU's one. Perhaps there's an accident ahead... let's hope it's nothing major, so they clear the road quickly and we're home for dinner"*.

"However... even at the Croatian border two days ago we barely slowed down; but today they were checking passports as if we were back in Tito's time", interjected Arianna.

"They may be looking for criminals or, better, looking for a comrade of Mladic and Karadzic, now that their trial at the Hague is coming to the end", added Giacomo.

There were no accidents, nor criminals. A new cold war had really started, in fact the First Global Civil War. A war where each nation was each other's ally and enemy; with national armies deployed to check on their own populations. With ever growing numbers killed, since the collective unconscious had realised that suicide was not helping at all. In fact it was counterproductive: it only reassured bands of politicians, both from the right and the left, or grotesque groups of self-styled 'National Solidarity'; all intent on keeping their own privileges but insensible to the desperation of so many unemployed.

The city centres were now patrolled by armoured vehicles, but it was the financial centres which had for years been the true theatre of war, the one which for centuries had remained underground, but was now emerging like a global overwhelming underground river, like geyser jets more destructive than nuclear warheads, launched through carriers faster and much more accurate than intercontinental ballistic missiles: these are the computer electrons, inextricably connected throughout the global financial web.

2 The Latin New Deal

Inextricably... until an innocent young lady uttered the unpronounceable and sacrilegious phrase: 'the king is naked'¹, and with her candour provoked what no one had dared imagine, let alone do, that is removing the plug. To be precise, the computers were disconnected in two particularly sensitive financial centres in that awkward situation, and from that time there was a continuous plugging and unplugging everywhere. From that time the war became also - and above all - a war of nerves because if we activate too many connections this strange global cyber-world kills us, whilst, if we disconnect too many, we kill ourselves. For the first time humanity had tangible proof that one can die both because of an excess or a lack of war. Come what may, it is a fact that the sacred inviolable inextricability of the electronic financial web was hit. No one knows exactly on whose order and why, but what is certain is that the epicentre of the ensuing revolution, that from financial beginnings became political, socio-economic and cultural, is between Italy and Spain; and that is why everyone is calling it "the Latin New Deal"².

Neither of the two Latin prime ministers, Mario Monti and Mariano Rajoy, have claimed paternity of the Latin Coup (another name immediately taken up by the media), even though at this point perhaps they would love to do so. Neither of them can admit to have played the role of hidden mandator, even though their denials appear to be equivocal, at times outraged but not too much, at times winking but not too much. The role of accidental hero does not satisfy either of them, and even less so does the role of perfect stranger, but their names are associated with the Latin Coup because one thing is certain: Italy and Spain were the first to pull the plug, and it

¹ As in the fable "The Emperor's new clothes", the Markets deceive everyone by flaunting their power with sumptuous clothes, but in truth they are naked as a worm.

² with reference to the "New Deal" of Roosevelt, see chap. 31 & 32.

seems that soon they will be followed by Portugal and Greece (here another media leitmotif: 'the rematch of the PIGS'³).

By now the Latin Coup is spreading across the whole of the Old Continent, with, particularly, the other seventeen Eurozone nations beginning to creak, but also in a few of the other member States of the EU (those that by wisdom or by indolence or by obtuse chauvinism have not to date abandoned their sovereign currencies to receive the mortal embrace of the old Euro). Well we now have to say 'the old Euro' because, however this revolution will be resolved, a new Euro is already born and the bolder commentators foresee that the old Euro, as in the classic clutching of straws, will remain in the hands of the Germans. Someone has openly challenged the 'Jerries' to return to their very solid Mark, if they cannot shake off their Weimar complex, born from the appalling inflation that shook Germany after their defeat in the First World War. But let us go back to this strange Latin Coup, so disruptive in its repercussions as it is mysterious in its origins.

³ PIGS is an acronym for Portugal, Italy, Greece, Spain. Right from the beginning of the crisis, PIGS suggests States with dirty accounting systems. Initially the acronym was PIIGS, correctly including Ireland but the country is now disappearing from the media. De facto Ireland is accepting sacrifices, but is also issuing euros far in excess of its competence quota, and this is happening without word from the European institutions. Ireland is doing unilaterally what the EU should be doing collectively, but it is forbidden by the European Treaties due to their accountancy nature (with all due respect to the accountants), rather than political.

3 Backstage

According to unspecified 'reliable sources' the happenings started more or less in this way: the Greek elections were to be repeated, with all hopes of forming a government with the factions elected the previous month having vanished. Everyone took it for granted that Greece would officially abandon the Eurozone (in practice the Greeks were already out, but they were being kept in the fold with a vile therapeutic obstinacy, in order not to create a precedent). On the occasion of the Italy – Spain game in the European Football Championship, whilst the Italian president and the Spanish crown prince were in the stands with their wives and entourage, and the whole apparatus for mass distraction was meticulously deployed, Monti and Rajoy (or only their representatives?) allegedly met to discuss what to do: a meeting without much pretences, far away from the media spotlight more from decency than necessity, with a secret agenda, so secret that it was unknown even to the participants themselves. It was a Sunday afternoon, and having quickly exhausted all topics but needing to come out with something, it seems that Monti and Rajoy (or their delegates) decided to suspend for two weeks the short selling in the Milan and Madrid stock exchanges. This was a measure that had already been used in these two nations and others as well; a palliative remedy of limited and uncertain efficacy. In effect it is counterproductive, as any person of common sense will understand if he/she is told that short selling means selling what one does not own: it is a legalized gamble, like any other form of financial speculation. It is a pure and simple fraud, but lethal, because it could assume monstrous dimensions. So, if a government decrees that it is forbidden to defraud for two weeks, anybody knows that from the fifteenth day one can defraud as before, in fact more so and in a worst manner, because now there is the explicit go-ahead from the government... So, having reached that miserable agreement, the two delegations exited the room to enjoy what was remaining of the football game from the first available screen. Even the two press officers, understanding that the score was 1 to 1, thought they should delegate the drafting of the press

release to their helpers, and their helpers thought they should delegate it to an intern. Excited and taken in by the great occasion, she wrote 'The markets of Madrid and Milan closed for two weeks: thus starts the Latin New Deal, as agreed today at the highest level'. The football match lasted a little bit longer, long enough to allow the agencies to type out and spread the communiqué across the globe, before one of the unwary press officers received the intern's sheet from his incautious helper, read it, winced and began to curse.

"Nevertheless you coined the expression 'Latin New Deal' and you were very proud about it", said the intern trying to justify herself.

"Yes, because it is the first time that we have agreed on something without being obliged to by Merkel, in fact without her knowing about it at all", he retorted, *"However, we're not closing the stock exchanges completely, we just forbid short selling"*

"You have said precisely 'close': it is recorded here", replied the innocent girl while showing her electronic trinket, whilst the assistant tried to restrain her.

"Closing is synonymous with suspending, because you close for a short time and then you reopen it, but we only close a certain type of trading, not the stock exchanges", he yelled, *"You explain it to her",* he then added with an angry face turned towards his assistant, but the innocent girl was not ready to give up:

"So, why don't you close the stock exchanges if they produce so many disasters?"

"Close the stock exchanges? Close the Markets? Where does this one come from? Does she realize what blasphemy she has pronounced? It has been years that we've been saying 'less State more Markets' and this one now would want that a little state closes the Markets? It would be easier or simpler or more logical to close the State, explain it to her! No, do what you want since you are both fired!", he finished with a yell, with his voice hoarse from the strain and his eyes bulging out.

4 Riding the tiger

There are different and contradictory versions explaining what happened in the following minutes and hours, but it is easy to imagine the feverish meetings, the passing of the buck on the responsibility of a communiqué which had been broadcast as 'conjoint and official', the crossed claims of corrections, the requests for clarifications from the other European partners. It is even easier to imagine the absolute demand of denial made by the intransigent Germans to both the prime ministers, the evasive answers from both, and finally the peremptory call from Merkel to each of them in rapid succession. In a cartoon which spread rapidly around the world you can see the caricature of a sweaty Rajoy, with his ear to the telephone receiver from which the following words are uttered, with the typical scratchy font: 'I have put you in that post and I'll remove you immediately'. To which he stutters: 'Sorry... Angela... I am not Mario, I am Mariano...', and the receiver retorts: 'Mariano or Mario for me you are fuck all, you don't count for fucking anything'...

Every politician should tolerate the fiercest satire, but that cartoon hit the essence of Latin machismo, and in full view of the world, too. At this point, according to a very obvious writ (but at times reality surpasses even the less fervid fantasy), the spark of revolt was lit in the two Latin machos, hence their decision, with nothing left to lose, to 'ride the tiger' of the Latin New Deal. And what a tiger! Fiercer and more unpredictable than what either of the two men could imagine at that moment, but also, and above all, more generous than what the two could have dared to hope. Whilst I am writing, the whole world continues to be surprised at the brutal attempts to unseat the men, at their stamina, and even more so at the amazing galloping that follows each failed attempt to unsaddle them. The situation is so fluid and incredible that I'll try to unravel it by following the journey of the friends we left at the border of Trieste.

5 In spite of Schengen!

“Excuse me, what did you say?” asked Davide to the border guard, turning his incredulous face first towards his wife and then to his two in-laws in the back seats.

*“Do you really want to know if each one of us has more than one hundred **euros not issued by the Italian Mint?**”*, urged Arianna emphasising the last words.

“Yes, you have heard correctly” confirmed the guard in a friendly manner but which betrayed the effort of having to repeat, who knows for how many hours and to how many travellers, a demand that he was the first to deem odd. So he added patiently *“Check in your own time ⁴, it is a serious matter but not grave. Don’t worry, in the next few days you will understand this novelty and many others to come. Welcome back to Italy”*.

Heartened by the conciliatory tone of the agent, Giacomo leaned forward and over Davide’s shoulder, and told him: *“Your words sound like a welcome for a good return. Us Italians are used to grave but not serious situations, so we welcome the serious but not grave ones”*.

The border guard, with a smile of satisfaction for that complicity born out of that witty quote from Flajano, asked: *‘Where have you come from?’*

“We spent a couple of days at the Plitvice lakes: a fantastic place!”

“Yes a true heaven on earth, and rightly a World Heritage site. Here things are not so blissful...”, then he thoughtfully added: *“At all major crossroads you will see army vehicles, including some armoured ones, don’t be alarmed: even that is serious but not as grave as it may seem”*.

After a quick check, each of our friends was able to reply negatively regarding the currency, each one had to sign a declaration on an official form, keeping a copy for themselves. The guard advised them to keep the form scrupulously safe. He told them that their vehicle had not been drawn for further thorough searches, and wished them a good return home.

⁴ The serial number of Italian Euro notes always begins by S

“My dears”, said Davide putting the car in gear, “I think it is time to switch the radio on, even though I had promised to keep it off for the duration of our trip”, and he was already going through the stations whilst the other three gave their expected permission.

Both the national channels and a good deal of the local ones were repeating in various sequences the text of the National Emergency Decree which suspended all stock market trading and limited banks to ordinary functions for two weeks, beginning immediately. Other related decrees specified the criteria, the contents, the duties and the methods to follow, the monitoring, and the severe penalties which should be imposed, in summary trials, on the offenders. All this was being expounded in interviews with political scientists, sociologists, economists, between interludes of music and adverts, but all this was not enough to give a semblance of normality to the radio schedules. The tones of the broadcasts and of the interventions were low-key, one could perceive in everything and by everybody a big effort to reassure, and a methodical attempt to clarify the technical terms and the underlying concepts, above all in the economic and financial sector. Nevertheless, more or less obvious contradictions were continuously emerging, however they were immediately undervalued or ignored altogether by the interviewers and by the pundits too. One of our friends was asking the others if they understood anything, but was immediately silenced, in an effort to understand anything. Arianna brought to the attention a couple of armoured vehicles that were mischievously parked further ahead, but she was immediately silenced. The car was moving at an almost normal speed in near normal traffic before entering the motorway, nevertheless our friends had the sensation of being in a video game, where the abnormal details made the remaining normality disturbing: was it all real or all illusory?

6 It is not as it seems

"I don't understand anything about Economics", exclaimed Ambra, "but I know very well that in any discipline a statement and its opposite cannot both be true"...

A long silence ensued, this time different from the previous one: it was no longer dictated by the desire to follow the news. As a matter of fact, everyone by then had almost memorized the fateful provisions and had given up on understanding their rationale, despite the continued efforts of the so-called experts to explain it. Instead, everyone was mulling over Ambra's comment, with the common feeling of frustration of no longer grasping the difference between true and false, between just and unjust, which was much harder than assimilating this or that concept. Eventually Giacomo said slowly and in a low voice, pondering on his wife's remark: *"These things would be easier to grasp if they were not very difficult to believe. Finally someone is admitting that they have put the cart before the horse, but when will they admit that now the cart is pulling the horse?"*

"Lucky you that you are able to understand something, I am confused enough without you adding your own riddles!", burst out Ambra.

"It's not a riddle. I am developing the principle of non-contradiction that you rightly invoked, hence I am saying that the contradiction is only apparent: at first the assumptions were false but the conclusions seemed true, now the assumptions are true, therefore the conclusions seem false..."

"Alleluia!", blasted Arianna, *"now you have really made everything clear!"*

"No, no, I am not teasing you, have a bit of patience, don't get confused by the meandering of the 'true' and 'false'. Instead look properly at the link between 'are' and 'appear' and you will see that there is no contradiction. I don't claim to have understood everything, nor to be able to explain easily what I have understood, but I believe that I have a good grasp of the present events thanks to my long experience of cooperation in Africa. Do you remember that for years I have been saying: 'the system is designed so that rich countries get richer and the

poor get poorer?’ And more recently I keep saying: ‘They are doing to us what we are doing to Africa’, and also: ‘the Germans are doing with Italy what Northern Italy has been doing with Southern Italy for one hundred and fifty years. As a matter of fact the Germans do a lot worse, because the Euro is not a sovereign currency as the Lira was. When we had the Lira, at least, Sicily never had to worry about its own spread with Lombardy’... do you remember?”

“Yes, you’ve told us many times, but you never explained it properly, or maybe we didn’t have the patience or the interest to listen to you. Now instead we are extremely interested so, if you do your best to be clear and if you accept our interruptions - although they may seem naïve or clumsy or misplaced - I think this time we will listen to you with greater attention, ok?”, suggested Arianna who received the immediate and convinced assent of Ambra and Davide.

7 Pigs on the wing

Reassured that they would listen to him, Giacomo cleared his throat and began: *"I will have to give you a crash course in macroeconomics, a summary of what I have been teaching for years to the doctors and technicians who go to do development work in Africa with CUAMM⁵, with the universities of Brescia and Padua, or with other organizations within Trop-Ed-Europ⁶. As a basic condition I must ask you to keep in mind the difference between understanding and believing, because, as I said, much of what is happening would be easy to understand if a mental rejection to believe did not intervene. And this is because what is happening is the exact opposite of what they have wanted us to believe so far".* Then, turning towards Davide, he added: *"If I tell you: 'yesterday I saw a flying pig', maybe you would reply: 'what did you say? I did not understand'. Indeed you understood very well, but you do not want to believe it".* Then, addressing all of them again: *"So let's make a deal: any time a difficulty crops up, because of a short circuit between understanding and believing, one of you will say 'flying pig!' and we will have to clarify immediately if that issue is clear or not, no matter how hard it might be to believe and accept it".*

"Fine" - "OK" - "Agree", said the three in unison.

"OK, let's move on", said Giacomo trying to use a less professorial tone as possible, even if it was clear that this time his relatives would have listened to him less reluctantly. *"You know that money is a means to facilitate exchanges of assets and services".* He checked that everyone agreed. *"You know that the Central Bank of every State issues money and circulates it in the national economy through the banks, both public and private, keeping the role of guidance and regulator".* He paused again to check if they were following. *"You know that the common banks, called 'commercial banks', look after the money saved by citizens and lend the dormant shares to others, charging them interest to cover services and bank*

⁵ Doctors with Africa - CUAMM: www.cuamm.org

⁶ The European network of Tropical Medicine Schools: www.troped.org

risks". Another round check to see the nodding of heads without uttering a word. *"You know that the State, through taxation, recovers part of the money to pay for roads, schools, hospitals and all other goods and public services, including government administration and the same Central Bank that is part of the government"*. After a further look around the car, Giacomo continued: *"In reality the system is much more complex, but the basic rule is that no one, not even the State, should spend if they have not saved up or if someone else has not done so for them, that is if the balance between money saved and money borrowed by all the Italians (individuals or institutions, private or public, also calculating exchanges with foreign countries) is not at a breakeven position"*. A further pause, and everybody nodded but remained concentrated, whilst on other occasions they would already have told Giacomo to go to hell. *"Finally you know that banks have the duty to check the credit of a client before disbursing a loan"*.

"Indeed", intervened Davide, *"there is that definition... how does it go?... yes that's it, that a bank is that place where they lend you money only if you can show that you don't need it"*.

8 The Pauper's Banker

"Of course", agreed Giacomo between the sniggers of the others, "even if in truth banks lend money to the ones who can make believe that they do not need it. Think of all the times that I have spoken to you about the micro credit project in Tanzania, whereby we lend to poor women who are not minimally considered by banks because they are judged a priori to be insolvent. Instead, according to many well documented studies, they repay their loans with a much higher percentage than the best customers of the biggest banks in the world. Do you recall Muhammad Yunus, the great Bangladeshi economist? He was the first person to break that vicious circle of mistrust of the poor and transformed it into a virtuous circle, restoring the dignity of thousands of women and giving prosperity to their families. Across the world many have followed his example, and today tens of millions family have benefitted from micro credit. Yunus received the Nobel prize for this work, but you must remember my resentment as soon as I heard that the prize was for Peace, not for Economy, as it rightfully should have been, since Yunus is an economist and his innovation is the most incisive financial revolution ever implemented, and on a global scale. But the Nobel Prize for Economy is a bogus Nobel Prize, established seventy years ago by the Bank of Sweden. Can you imagine if the bankers accepted to so blatantly disavow their bad practices by assigning to Yunus a prize that, by the express will of its founder, should go 'to someone who has contributed to the wellbeing of humankind'. Think: if all the bank loans were given using Yunus' criteria and methods, we would never hear of speculative bubbles, nor inflation... we would not even have rumours of crises such as this one, that has gripped the entire world and is depriving our young people of what they hold most intimate and sacred: hope... Every now and then, to save face, the bankers assign the Nobel Prize for Economy to some non-aligned scholar, as long as he is a theorist, but a practical revolutionary like Yunus was really unacceptable by them".

A long silence ensued, whilst Giacomo cleared his voice, broken by the emotion that overcomes him any time he touches certain topics.

“But micro credit continues to expand, and inch by inch good will prevail”, his wife Ambra suggested, trying to cheer him up.

“I would not be so sure”, continued Giacomo shaking his head, *“because this crisis is not born from a fight between good and bad. If things were so easy, good would triumph with relative ease. Instead this crisis is very serious and difficult to solve, because it stems from a deep-rooted, systematic, global oppression of deceit on the truth, in the economic, financial, and foremost monetary, sectors. So let’s continue our reasoning!”*, he exclaimed with renewed vigour. *“Just now, when I was summarizing the current financial system, talking about central and ordinary banks and about the equilibrium between saving and loans, all of you nodded, so we can agree that those concepts are all clear and all credible, right?”*. All agreed on the obviousness expounded by Giacomo. *“I will tell you more: the laws of all States do sanction those principles, do specify the resulting guidelines and do establish severe penalties for those who upset the financial order thus set up. So do you follow me so far?”*, asked Giacomo soliciting a reply with a look to each of them in turn.

“Yes” – “Certainly” – “Of course we are with you”, they replied with patience and condescension unimaginable in former times.

9 Financial Matrix

“Flying pig!....” yelled Giacomo, *“Even better, braying bird, I should say!”*, surveying the three stunned faces, although they were accustomed to his outlandish outputs. He continued: *“Braying birds, I should say, because you have understood and believed my speech, but it is all false. **It-is-all-fal-se!**”*, he repeated raising his voice while punctuating the words.

“Hey! go easy with your wit: you nearly made me go off the road!”, exclaimed Davide grabbing the steering wheel whilst swerving it theatrically. But Giacomo, undaunted, continued: *“Everything I have said and you have agreed to, as any person with common sense would, is absolutely false, it is like a Matrix. You remember what Morpheus says in that film? He says: ‘Matrix is mind control. It is the world put in front of your eyes to hide the truth’... As a matter of fact, here it is even more shameless, because what you were agreeing is promptly denied by official data. In effect:*

First: the Central Banks coin and print less than 3% of all the money in circulation.

*Second: when a customer requests a loan from a bank, the bank does not check other clients have deposited equivalent savings, they simply place the desired amount through an electronic terminal⁷. In this way **banks create from nothing around 97% of all circulating money**. When I say ‘from nothing’ I’m not using an expression, it is exactly how it happens, as is explicitly recognised by official documents at the highest level in the world⁸. The technical term is ‘fiat money’, where ‘fiat’ is not the car factory brought up through Italian work and Italian subsidies and now placed in private administration by Mr ‘Marpionne’. Fiat is the verb used by God Almighty to create the world from nothing, in the Latin version of the Bible:*

⁷ If bank clients deposited their banknotes in a ‘common security box’ the bank would give as many receipts and could draw from that box only for reimbursements and loans. In fact the bank becomes the legal owner of the deposits, uses them as they please and issues only promises of payment.

⁸ See, for instance: www.bankofengland.co.uk/publications/Documents/quarterlybulletin/2014/qb14q101.pdf

*‘fiat lux, let there be light’, thus ‘fiat money, let there be money’
... flying pig!”*

This was followed by a crossing of inquiring glances and, after quick comparisons, each one agreed that the two points just made by Giacomo were very clear, even though neither of the three was willing to believe it, and each of them repeated not to understand the implications. Giacomo reassured them and was almost implored to continue.

*“Mind you: I am talking about the commercial banks that, in general, can be considered ‘proper’. I am not talking about the investment banks that by now, with the partial exception of a few, just to confirm the rule, have become real criminal associations, whence the term ‘Banksters’⁹. But there’s no need for me to tell you about criminal behaviour and things like ‘junk bonds’ or ‘derivatives’, since you already know enough, as does any average citizen. That rubbish should be forbidden, and whoever produces it should be severely punished, whereas today he is exalted and envied. On the other hand, it is much more important to understand that the entire Western financial system, even in the components that are considered healthy, is structurally perverse, and I repeat: **struc-tu-ral-ly!***

Third: the central banks have very little control over 97% of the money that the ordinary banks create from nothing, and even less so the governments. Above all, the privatisation of the central banks, ECB¹⁰ included, allows all of those technocrats to increasingly evade the democratic control.

Fourth: the system of incentives and disincentives is everywhere regulated in a way that even the banks considered ‘proper’ channel the money with preference towards speculation instead of productive investments.

All the above provokes serious, structural damages to all national economies, and explains the housing bubbles that occurred in the past, even in distant past, and their increasingly regular re-occurrence...”. He stopped and allowed Ambra, who was shaking her head, to explain her discomfort: “According to Hegel, history teaches that men and governments have never

⁹ Fusion of 'bankers' and 'gangsters'.

¹⁰ European Central Bank. See also note on page 71.

learnt anything from history, and we can only agree on this, but you describe a financial and political world where everybody would be either mad or criminal, and this definitely seems excessive to me!”

“Some madmen and some criminals surely exist at the highest levels, in compliance with the maxim that says: ‘fish starts smelling from the head’. However, I believe that the majority of the politicians and the self-styled experts on economics and finance are like ostriches: they refuse to analyse with sincerity and courage the disasters that they have always undervalued, and for which no doubt they themselves are responsible. So they have allowed the creation of a financial universe that is really crazy and structurally criminal. It happens in a similar way to the ecological crisis, even worst actually because ecology is a recent discipline, whereas Economics with scientific velleity has grown for about three centuries and has carefully analysed the crises, their causes and the impact of the counter-measures which have been adopted on the various occasions. Let’s start from the fundamentals: let us look at the two main types of loans a bank should disburse to promote human entrepreneurship in its two major pillars: family and business.

A young couple wants to set up a home, so here is the support of the bank in the form of a mortgage. A craftsman wants to buy a new machine to improve production, so here is the loan for the business. Two classic examples of how banking should be at the service of socio economic development, two examples of productive investments when any decent bank employee should only check that the risk of the loan does not exceed the normal inherent level in every human enterprise. Instead the bankers have transformed themselves into touts of junk bonds, they behave like sorcerers’ apprentices resorting to using the algorithms of pseudo experts, who are paid handsomely for what?... to rob the entirety of humankind and plunder the planet’s resources!

10 Econo-mystics with visions

“There you go, you always blame the scientific pretensions of this or that discipline, of Economics in particular”, retorted Ambra, feeling she was being tested on subjects dear to her as a high school teacher, and continued: “We know that even the two hard sciences, Maths and Physics, admit, nay demonstrate, that they are limited, more so our knowledge in other disciplines is limited. The Gödel Theorem of Incompleteness is nearly one hundred years old, as well as Heisenberg’s Principle of Indetermination. John Barrow, whom you often cite, highlights in a witty way the fact that maths is based on non demonstrable theories... what does he say exactly?”

“He says: ‘If by Religion we mean a system of thought based on unproven and unprovable hypotheses, then Mathematics is the only discipline which can be proven to be a religion’...”

“Exactly. By now, thank God, we are savvy enough after a century of self criticism by the hard sciences: if softer disciplines pretend to be exact sciences, let them say so!”

“Maybe! But I definitely don’t think that the common citizen is savvy enough on the scientific pretensions of many disciplines, much less on the velleities of so called economists, otherwise we would not be trapped in this crisis that is so inhuman and anti scientific! At any rate, it is true that I tend to emphasise and dispute, I go to extremes because of my educational intents, but I believe that we will never stigmatise enough the scientific claims of the contemporary economists: they use a huge amount of mathematical formulas to demonstrate their theoretical truisms, but they carefully avoid admitting that each mathematical proof is pure and simple tautology, a dog biting its own tail. They firmly deny that their assumed thoughts are pure acts of faith in an abstract idol, the fateful ‘Invisible Hand of the Market’, on which I believe it will be necessary to dwell very soon. Because of their acts of faith, however systematically disproved by reality, and because of their deliberately obscure language for initiates, it would be more appropriate to call them Econo-mystics, and Econo-mysticism their false science. They go on the rampage when top scientists affirm that Economics can aspire to a degree of

scientificity not much superior to that of Sociology, and yet all around the world the Markets rise and fall mainly according to exquisitely sociologic dynamics, i.e. the self-fulfilling prophecies, that we have talked about in the past”.

“Flying pig!”, intervened Arianna, “Those have remained ingrained in me, and their meaning is clear in my mind, but you often cite as example some machinations so diabolical that I tend to ignore them.”

“Same here! I remember well that they are so often exploited in a perverse manner, but now I’m unable to piece together the example that you give every now and then. Do you mind refreshing our memories?”, intervened Davide, taking her side.

“OK. When a self styled ‘Guru of Finances’ predicts that a certain share will fall in the Stock Exchange, and straight away, coincidentally, some of his unknown accomplices short-sell a significant amount of those shares, they fall in value, the flock of marketers is seized by panic, everyone sells and the shares really crash. To the great joy of the gang who organised that scam and who, now, buys at a clearance sale those very shares that they had short-sold at a much higher price ¹¹. And the guru receives great honour and sees his reputation as a scientist prophet rising. Anyway, even without these examples of fraud, there are many cases of self-fulfilling prophecies, especially in the financial field.

Going back to the arrogance of most economists and to their sectarian regulations, anyone of them who would employ self-criticism, including colleagues as relevant as Joseph Stiglitz, Amartya Sen, Jean Ziegler, Bernard Maris, Joseph Huber and others, are cast out like lepers, excluded from the professorships and from the most prestigious scientific circles. But here in Italy we almost never have such a problem, because we let our best brains drain as soon as they have graduated, and the ones who make a career here are the ass lickers. And if one of our expatriated brains dares to reappear on home soil, a quarantine is employed, not only in the university chairs: as in the case of Loretta Napoleoni, the good and courageous author

¹¹ If short selling (page 14) was forbidden, this scam would be more costly and risky, hence rarely achievable.

of 'Rogue Economics'. Keynes himself used to affirm that Economics sooner or later would take that place at the back of the queue that it deserves, and he suffered the 'damnatio memoriae', he was consigned to oblivion and all his followers were backbitten, to the point that today if you want to disqualify an economist you only have to say that he is a neo-Keynesian. It is sad to observe that among the fiercest detractors are many left wing politickings whilst today the whole of South America, with genuine socialist and anti imperialist governments, is living a true economic boom, not made on paper, thanks also to neo-Keynesian policies ¹². It will be more useful to return to this issue once we have clarified some other points...

To conclude, here is what Paul Samuelson, another Nobel Prize for Economics, and strong defender of his discipline, admits: 'Nothing is impossible in an inexact science like Economics'. At the end, unfortunately, the masters of the world, with the help of their econo-mystic heralds, have managed in their intent: they have bought the electoral campaigns for the politicians, i.e. they have bought the politickings... not to mention the sell-out journalists.... they have bought everything."

¹² Example is Argentina that in 2002 refused the umpteenth payment of halter loans by the IMF, subordinated to ultra liberal policies, depressive and aggravating social disparity. Argentina faced bankruptcy and, adopting diametrically opposite recipes, in ten years not only did it blossom socially and economically, but also paid off all rescheduled debts 16 months before the due date. The whole of South America is blossoming thanks also to neo Keynesian policies of welfare, notwithstanding the boycotts, retaliations and political interferences by the global power.

11 They account like Accountants !?

After a brief pause, Giacomo resumed: *“I think it is time to reaffirm that when I say Economics I mean real goods, which can be material like a hotel, or spiritual like enjoying a holiday, or mixed like a holiday in a hotel. All these goods contribute towards the well-being of the individual and the community, and the best indicator of such well-being, i.e. the indicator that the economy is functioning correctly, is Full Employment¹³. When I say Finance, I refer to the use of money that, in its essence, should be just numbers. In the minds of everyone and in the laws of all Nations, money is only an instrument that makes it easier to trade real goods and services. All of us know that money cannot be eaten: with only money you die of hunger. The myth of king Midas not only reminds us of this elementary truth, but expresses the collective conscience that for thousands of years the economy developed by bartering real goods, before money brought new opportunities, but also new pitfalls. Money is the means, well-being is the end. Finance deals with the means and the end is dealt with by Economics, so Economics is superior to Finance by ethical ranking. And what is the role of Politics if not to guarantee the well-being of the citizens, that is an economy that gives access to many goods, not only material but also spiritual, relational, and environmental? Now, the assets have two intrinsic characteristics that sharply differentiate them from money: first, the assets always increase in quantity and/or quality, like ears of corn, children and houses¹⁴, and this is an increase of real wealth, whilst the value of money depends on available assets and is inversely proportional to them: the more the money increases, the less its value is. Second, the assets will get revalued as often as they are shared. For example, for primary assets like security and education it is evident that an individual enjoys more of each the higher number of people who share*

¹³ Nowadays full employment is possible only in tandem with Universal Basic Income (see chapter 56)

¹⁴ Indeed the raw materials are being depleted, but an economy based on almost total recycling of materials and on renewable energy is at hand.

them. But even all the other assets are ultimately subject to the same principle of the maxim: 'my gain is also your gain'¹⁵. With money, instead, it is the opposite whereby 'my gain is your loss'. Therefore Economy and Finance work in two completely different, in fact opposite, logic-mathematical systems: the economy is a game with positive sum (in front of my plus there is also your plus, directly or indirectly); while finance is a zero-sum game (in front of my plus there must be your minus of the same amount). The current crisis is so deep not only because finance (the means) has prevailed over the economy (the end), but especially because finance is forcing both the economy and politics to play with its zero sum rules, and it also manages to pass off its recipes for scientific, necessary and useful (as if they were surgical operations) while they are unnatural, anti scientific, counter productive and ruinous.

Think about how a family is valued differently if it is assessed according to economic or financial criteria. From the point of view of economics, the healthier family is one with at least two children and where both parents can produce wealth and provide, even directly, the best education to their children. If, absurdly, one would decline the lower asset, a parent would be sacrificed because, in economy, no asset is greater than a well educated son. Let us now value the same family from the financial point of view: the parents are recorded as an asset, a gain, while the children are a liability, a loss. If the priority need is to balance the budget, the solution is mathematical: you take the children out of school and send them to work. This accountancy principle is so pervasive as to require that the entirety of humanity, to progress on the financial side, should have fewer children and should cut evermore the costs for their education. Still from the point of view of the financial mathematics, the optimum point is reached when there are zero children... pity that at that point the economy also falls to zero, with the extinction of mankind. Science-fiction? It is enough to look around: in the poorer nations a drastic reduction of births is

¹⁵ This reality is enshrined in the ordinance of all the States. Article 42 of the Italian Constitution states that private property is guaranteed as long as it contributes to the higher-level social instances.

imposed by every means, more or less coercive, whilst us Westerners, with Italians at the forefront, are so clever as to cut off our balls by ourselves!"

After long glances of empathy at the frowning faces of his relatives, Giacomo continued: *"I have made this speech because we never reflect enough on the fact that Finance has turned upside down the valuation criteria, not only on children but of every other asset. And how is such a deception possible? The fact is that all of us have imperfect, but substantially correct and robust, notions of Economics and of Ethics, because they belong to the cultural, even genetic, heritage of every human being. As so many do, I also thought I could understand something of Finance, wrongly believing that it fell more or less in the same inheritance. In any case I did not doubt that the scholars of finance knew it well. Instead, after a long study and irreproachable evidence, I had to give in to the idea that Finance is amongst those most unnatural subjects that have ever been conceived, but even and above all that amongst the so called 'experts' of Finance there are so many ignorant people who claim to apply to the economy their zero sum rules. All of us have an ingrained, but wrong, certainty that the accounting of families, companies and States offers the most precise, appropriate, scientific description of their respective economic situation. On the contrary there is nothing more misleading because budgets are indicators of the financial situation, not of the economic one."*

"Flying pig! You have just shaken my certainties with the example of the families but, all in all, economy and finance aren't more or less equivalent?", Ambra asked in astonishment.

"Not at all: they are almost always diametrically opposed, and the biggest collective deceit comes at the level of the States. On the economic ground, the richer the citizens are, the wealthier the State is, because the economy is a game with positive sums. Instead, when we describe the same situation through the national accounts, the wealthier the citizens are, the more indebted their State is, and vice versa. I repeat: in any ordinary nation the economy, i.e. the real wealth, is more or less positive both in the private and the public sector. But in the same nation, if the State budget is positive, the budget of the

private sector must be negative, and vice versa, because accountancy requires that for every gain there must be a corresponding loss. Only a budget deficit in the public sector can guarantee an equivalent surplus in the private sector, assuming that the balance of payments with foreign countries is at par. Any accountant knows these things by heart, they are the basics of accountancy. They are needed to make ends meet, that is to check that there are no errors in the calculations nor oversight, but they are only numbers, they take into account only money which, at its core, is just a number, poorly correlated with the real wellbeing of the national community.

*Thus the accountants do their job well, the trouble is that economists, politickings and journalists reason like accountants and, being overwhelmed by their fear of a state financial deficit, they rage against the real economy, in other words against families and companies. These quacks debase us daily with litanies like: 'the Italian public debt is amongst the highest in the world...' and every now and then they console us saying such things as '...but **to compensate for this**, our private debt is amongst the lowest'. They refer to this data as an admirable fact, without realising that they are talking of a 'double entry', of the two components of a fraction which necessarily tends to the value of 1, like the ratio between males and females in a population. By analogy, their amazing discovery would sound like this: 'in nation x, the percentage of males is amongst the lowest in the world but, **to compensate for this**, the percentage of females is amongst the highest'. Us Europeans, conquerors of the world, let ourselves be deceived by such charlatans, we are so crazy to have added into our Constitution the obligation to balance the State budget ¹⁶, i.e. to impoverish our families and of our businesses. But the final straw refers to the Germans who, having subscribed the same obligations, can be liable for the diametrically opposite reason. In fact, by achieving an excessive trade surplus with their European partners, they do not have a balanced budget, either (sic!)".*

¹⁶ Article 81 of the Italian Constitution has been thus modified by Monti, who manoeuvred to get the endorsement of a parliamentary majority of more than 2/3, to avoid a popular referendum.

12 Import is clever, Export is masochist

At that point Arianna broke the silent perplexity of all: *“You said that the state deficit is equivalent to a surplus for families and businesses, if the account of trade with foreign countries is balanced... Us Italians are proud because we export a lot of Made In Italy products and in effect, if I am not mistaken, our foreign trade balance is positive almost every year. But then: having so much private saving and so much export, we should be better off than many others...”*

“In fact we are better off, from the point of view of the real economy, of the quality of life! If it was not so, why would the whole world envy us? But beware of the common mistake of confusing the real economy with financial statements. Exports contribute to making our national budget positive, but in practice what happens? We give valuable manufactured goods and fine food in exchange for foreign currency. When we import, yes we shift the national budget towards the negative sign, but in practice we give our currency in exchange for petrol and raw materials, i.e. other precious goods. It is true that every State would like to make believe that its currency is more precious than gold¹⁷, but facing reality, and leaving aside the grave complication of the Euro that is really costing us blood, any currency costs only a bit of paper and ink... so who would not give a bit of paper and some ink in exchange for hams or petrol? Above all, us Italians, unlike many poor countries, are not obliged to export vital quotas of goods that should more rightly be destined to the internal consumption... on this point I will have much more to add...”

However, for the time being, please focus on the concept that, from the point of view of the real economy, importing is a true bargain, whilst exporting is a swindle, and yet in our budgets we assign a negative sign to the bargain and a positive

¹⁷ On the practical side they do the opposite. In fact, except the Germans, worshippers of a strong currency, all the protagonists of the world economy struggle to keep their currency undervalued against others, bowing to ‘Market God’ and to its dogma of competitive export. This dogma also applies to the Germans, who focus on quality instead of price (by doing this they rightly recognise the primacy of the Economy over the Finance)

sign to the swindle: another striking example of how finance overturns the values that really count for the wellbeing of individuals and communities. Finally, when we do nothing to stop our brain drain, that is the pinnacle of self harm, because we give as a present to foreigners, completely free of charge, our most precious resources, exactly at the time that those resources are ready to produce the economic fruits for which we had invested as a nation... all this to avoid the State budget being encumbered by well-deserved salaries, which carry the sign minus for the mere want of accountancy! Remaining on the topic of self-harm, when our politickings cut spending on Education, Health, Pensions, General Welfare, they take away from us the possibility of enjoying a real good for the pure psychosis of seeing the corresponding numbers on the State ledger preceded by a negative sign, or being written in red. Obama rightly says: 'Reducing the deficit by cutting investments in education is like unburdening an overloaded airplane by removing the engine' ”.

13 Who owes what to whom?

“Flying pig”, Arianna uttered slowly, whilst shaking her head and receiving expressions of solidarity from Davide and Ambra, “it would not be difficult to follow you, if I did not refuse to believe that things are so diabolically perverse. There must be some unknowns that you are neglecting... like... inflation, or perhaps you will be right for now, but then the bill will be paid by our children, very heavily!”.

“I understand you perfectly because I have struggled with the same doubts for years, yet I have more and more evidence, including the thorny question of the debt supposedly offloaded onto future generations. In fact it is a very complex issue, which we’ll have to reconsider after having clarified some intermediate points, but for now let me insist on the need to differentiate the concept of negative economy (namely unemployment, poor production in quantity or quality, pollution, social conflicts, inadequate education and welfare, etc.) from the concept of negative accounts, and let’s concentrate on the real goods.

Well! Every generation can enjoy the durable goods produced by the former generations (like houses, bridges, culture, etc.). Certainly no one can send anything back in time, so, if we consider the real wealth, we are all indebted to our ancestors, yet no one can repay that debt except in the form of grateful memory¹⁸. Similarly, as long as we are talking of real assets, the future generations will be indebted to the present one. But already today, due to the wicked policies that depress the real economy, our children will reproach us, with good reasons, for leaving them with much less than we could and should have: less work, less social security, and especially less education. If, on the other hand, to obtain a fair inheritance in real assets (including the education needed to tackle the growing challenges of complexity, the wisdom to re-distribute an increasing degree of wellbeing, and the political maturity to persevere in this way) our children will have to increase the

¹⁸ The case of a generation that, unfortunately, inherited the disasters of a war, can be considered the exception that confirms the general rule.

budget deficit of their State, where is the problem? Who owes what to whom?”.

“Well here is the problem!”, intervened Davide, “Who owes what, and to whom? Will our children be indebted with their children, or with the German, or Chinese children? The first case would seem to me a ridiculous issue. In the second instance, it would be a serious problem but maybe reasonably manageable within the European context. In the third case I am afraid it would be a real tragedy”.

“Yes, the core of the question is the public debt, but in order not to panic because of that debt, firstly we have to clarify other fundamental points. For now I anticipate only that not even our debt with the Chinese would be so tragic as some want us to believe, all in all the threat of public debt is a scarecrow, one that works only with sparrow-people”, said Giacomo soothingly.

“I can reassure you even on the danger of galloping inflation: another threat that is waved around by someone who is either ignorant or in bad faith....

For the time being let us clear the first hurdle that there is no money to pay for pensions, not even to the Esodati¹⁹ who, with this pretext, are being abandoned midstream. Let us suppose that all current Italian workers have a mass exodus towards pension, and that the only remaining workers are our five children who have to keep the economy going to support sixty million Italians. Our children would have to till the land, cook, operate factories, cities, public services, and also the recreational services for sixty million people²⁰. As a reward, they would divide amongst themselves the payments made by sixty million clients: our children would be multi billionaires!... Well, in such a scenario, would you think that the problem is financial? Surely not: the problem would be of an economic nature. It would require that our children be super-highly educated, provided with super-high-tech machines and so much software as to be able to guarantee the orderly conduct

¹⁹ Esodati (Exodus-retired) in Italy refers to people who legally took early retirement. Then Mario Monti changed the law retroactively, so the competent State Agency is not allowed to pay their pensions, and their former employers do not agree to hire them back.

²⁰ This scenario is adapted from Mosler (Warren M., see bibliography).

of all the economic activities. Otherwise us pensioners would be in serious trouble, even the richest ones. If our money, whether a lot or a little, could not be spent in assets or services, then it would set off an inflation of apocalyptic proportion. As a matter of fact, inflation is caused by too few assets and services, not by too much money! This has happened in the emblematic cases of Weimar and Zimbabwe, which are shown as threats, but in a totally inappropriate way, because modern economies have opposite problems, those of overproduction!...

...Keep this scenario in mind, with few children who would need to make the real economy function for an army of pensioners, and ask yourselves: how can our politicians dare say that they have to increase taxes, cut education and welfare and let businesses go into liquidation, because they have to save money today otherwise our children would not have enough to pay the pensions of tomorrow? this is sheer madness! The only sure method to compromise the future of our children is to depress the real economy today, to cut the expenses for education and welfare today, and also cut the parents' and grand-parents' pensions that today permit the youngsters to study. In this way we are compromising the future of the nation, not by leaving in the red some numbers on the accountancy sheet of an abstract entity which is the inverted image of us... This happens if we allow the financial system to rape the economy!"

14 Banks nationalisation

Giacomo resumed: *“Be patient, we’ll return to all these topics, but first I think we need to make a digression on the exquisitely public nature of our financial services. I’m not saying that banks should be nationalised...”*.

“By the way!”, intervened Arianna, *“On the radio someone said that they intend to nationalise the banks, then someone objected that it’s not true, but others confirmed it. What did you understand from this?”*

“Again, to really understand what’s going on, you have to be aware not to passively swallow every made up slogan: Monti’s urgent decree, like the one from Rajoy, is just confirming what is written in our Constitution and in the laws of all the States. It remarks that financial services are an essential public service, like health and education, but it notes that the laws are scandalously violated, with great damage to the economy and social cohesion. Therefore it categorically reiterates that each operator employed at whatever kind of financial service is ‘in charge of public service’ pursuant to article 28 of our Constitution, with all civil and criminal consequences. On the practical side, it launches a series of urgent and extraordinary measures to bring finances back under State control. A good number of people from the Financial Police and from the Taxes Agency are removed from their usual jobs to form Special Units in every province, under the personal direction of the Prefects. A powerful Unit of Inspectors is formed, devoted only to the Special Units, directly controlled by the Ministry of Economy. Fines are quadrupled for any financial offence, with express trials, the exclusion of many mitigating factors, punishments ‘only’ doubled for those who cooperate immediately and entirely with Justice Department, and other things that we have heard repeatedly on the radio... The impact of all this is such that we can clearly understand why Monti and Rajoy have decreed, and have busied themselves to reaffirm, that their decrees are to be submitted to a popular referendum within six months. In fact, from the point of view of the established order, which is so dear to the ‘strong powers’, this is a true and proper coup. Calling a referendum is not only appropriate in the democratic context

but it also helps to ward off a counter coup. Within six months the referendum will be played, on one side, upon disinformation and fears stoked by the strong powers, and, on the other side, upon the capabilities of Monti and Rajoy to obtain an adequately informed consent, in other words a genuine democratic participation”.

“OK, but in the end will they nationalise the banks or not?”

“In my view, this is not so much a matter of form, as of substance. The banks, instead of acting as simple brokers, have become the rulers of the world because ignorant and corrupt politicians yielded control of the money to them. I will clear this point soon but, for the time being, let me offer an analogy: it’s as if the State had given over the printing of the Official Gazette to private persons who then took for themselves the privilege to censure and correct the contents... I’m not exaggerating, the banks have purloined the financial sovereignty from the States, without anybody saying a word. So you understand that, as well as putting a muzzle on the banks, there is a need to educate the masses on the financial services! Think about hospitals and schools: people hold their own health and the education of their children very dear, so they may be almost at gunpoint in judging the work of doctors and teachers, whether public or private. However, on the financial questions, not only the common people, but the entire managerial class, accept passively the recipes of self-styled experts, and endure every sort of harassment with an incredibly obedient resignation. Against this, think what would happen if it were discovered that a doctor working in a blood bank, instead of using the blood to save human beings, used it as a compost for orchids, thus enriching himself”...

“He would be lynched in the public square, without trial!”, stated Davide.

*“True, something of the sort... But when **our** banks take billions of **our** euros from **our** ECB and, instead of turning them over to **our** families and **our** enterprises, they speculate, it is enough that the crier of the shift recites the usual exculpatory formulas such as: ‘the Markets impose this on us’ or ‘the EU requests this’, and nobody dares to object. Yet, it would be enough to change ‘the Markets’ with ‘the great speculators’, to*

systematically dismantle this deadly farce. Think of another example, the Ethical Banks, like the one founded fifteen years ago in Padova²¹. It remains a sort of white elephant, with few others in Europe. A bank decides to distinguish itself from the others by calling itself 'ethical', and what do our politicians do? They cut one more ribbon, and everything ends with wining and dining. Instead, they should ask themselves if the other banks, perchance, are not ethical. And the citizens? And the other banks? And the whole bank system? Nobody wants to ask uncomfortable questions. Imagine instead what would happen if someone wanted to open an Ethical Hospital? The other hospitals would rise en masse, the citizens would want the issue to be fully clarified, and the politicians would automatically scuttle such an initiative...

Do you want further proof of the blindness of our politicians? Our Constitution states that the private economic initiative is free, but cannot clash with social values, or damage security, liberty, and human dignity. Now you tell me if I'm exaggerating with my tirades or if we are not called upon to reclaim control over the financial sector".

"How can we do it?", asked Ambra.

"Not necessarily by nationalising the banks, but by letting our politicians know that we are watching them and the banks with the same awareness and with the same care that we watch our schools and hospitals. Finally, please note that the return to a net separation of the commercial (or savings) banks from the business (investment) banks²², which has also been ordered with this decree, does not exempt anyone from observing all the duties and codes of conduct concerning who is in charge of public services. Above all the currency would have to be issued exclusively by the State, without interest, but before all this we would have to clarify many other intermediate steps".

²¹ <http://www.bancaetica.it/idea-and-principles>

²² This is one measure mostly demanded, and better elaborated, by the British group "Positive Money". See also chap. 43 and 61.

15 Loans of Ordinary Madness

Giacomo continued: *“Having verified and confirmed that every bank performs an essential public service, we can return to the fourth point and examine how an ordinary employee at a commercial bank acts when assigned to giving out loans.*

If a craftsman goes to the bank to borrow money for a new piece of machinery, the bank employee hardly ever has adequate knowledge of that type of business, of the problems and opportunities of that sector, of the competitors, of the specific legislations, and of thousands of variables that, according to the Market, one needs to know in order to properly evaluate that loan. So the employee gains time by asking the craftsman for more documentation, he might also ask for information from his own technical offices that, if all is well, are situated some hundreds of miles away and are not under foreign control. By so doing, he makes out a very expensive file to evaluate the risk of a loan that, on average, is worth up to fifty thousand Euro... Note: when the bank was strictly tied to its catchment area, evaluating the loan risk was direct, easy and quick... When eventually the employee has positive answers to all the enquiries and takes it to his manager for a signature, the boss bins it angrily without reading it, and shouts: ‘Then, if the guy doesn’t pay the instalments, what are we going to impound, a used cutter? And you, how many days have you worked on this file? Don’t complain afterwards if you don’t receive any bonuses at the end of the month, wake up!’...

Now, this employee receives a client who is already paying a mortgage for his first house and requests a second one for an apartment to put it at the disposal of ‘a dear girl friend’. The employee has good elements to evaluate that the client is biting off more than he can chew, but for a mortgage the bank already has all he needs online: cadastral valuation, market value according to the category, dimensions, area etc. A few minutes of work are required to provide a loan averaging one hundred and eighty thousand euros. There is zero risk because, if the client does not pay the rates, the bank keeps the apartment. For the employee there is a commission on this loan, a bonus at the end of the month if he reaches the ceiling fixed by the

bank and, if he goes on in this way, a good career awaits him...
What's the moral of the story?"

"The employee is punished if he is diligent, but rewarded if crafty..." noted bitterly Ambra, *"...Something similar happens more and more often with us teachers, we are reputed good if we give good marks, not if we lavish time, toil and professionalism to correct work and to prepare lessons"...*

"All flying pigs!", agreed Giacomo, *"This affair of the loans is a systematic flaw, structural, made larger by the fact that all the small banks have been systematically swallowed up, and stripped, by the bigger, unscrupulous banks. The banks give fewer loans to companies and more and more real estate loans because the system of incentives pushes them to do so, and is possibly worsened by the latest Basle agreements²³. So the price of the houses increases to the point that the young couples are struggling to have access, but the speculators buy and sell houses as if they were sweets, and at every sale they increase the price to obtain a myopic profit, until the bubble bursts. Then, after every crisis, we begin again, as if nothing happened. The crafty guy begins again more carefree than before, and at the end the bill is always paid by the poor."*

"It is terrible", exclaimed Arianna.

"But here in Italy it is all rosy compared to Spain, Ireland and even many North European States, because us Italians have the 'brick and mortar disease': 80% of our families live in their own properties. In the United States real estate bubbles burst with the same frequency as chewing gum on the mouth of children. The latest one, in 2007, set off the global crisis in which we are still immersed; even the Great Depression began in 1929 with the bursting of a huge real estate bubble"...

²³ Binding on the whole banking system of the European Union. It is calibrated on growing economies, but absolutely backfiring in times of recession.

16 On the brink of civil war

“Sorry for interrupting, but it is nearly time for the speech to the Joint Chambers”, said Davide raising the volume on the radio, and all listened with religious silence. Almost immediately the transmission began with the minister Giarda who, after a preliminary talk to summarise the first decrees, was illustrating to the Parliament another just-launched decree that was setting up a campaign of information and mobilising on the new Economic and Financial Civic Discipline (DiCEFi). This was a compulsory subject to be taught in all schools, with immediate effect. Even in all workplaces DiCEFi was to become a priority for information and verification, with immediate effect. Giarda reiterated that every Italian citizen was liable to observe it, without claiming ignorance in case of infringement. He added a few more points on the decrees, then gave the floor to premier Monti.

After the ritual greetings, the premier confirmed that there had been a fire fight between the Carabinieri and some deviated departments of the Financial Police, just as he was preparing to sign the first emergency decree. He reported that there had been one hundred and eighty-seven victims, and five high ranking officers ‘had committed suicide’ in the succeeding hours. He confirmed that in Rome a whole military barrack had been placed under preventive disarmament, and all the security forces were on maximum alert, but the situation was under absolute control by the democratic institutions. He added that eight countrymen of international relevance had died violent deaths abroad, in six different States, so everywhere surveillance was at its highest, in full collaboration with the governments and the diplomatic missions. Monti admitted that news from abroad was incomplete, but constantly updated, and specified that, for the time being, he was not able to confirm or deny that the prime suspects were fixers in various ways tied to secret services, or characters notoriously affiliated to mafia organisations.

Returning to the internal situation, Monti reported that one thousand six hundred and ninety two people had been arrested, most of them being part of the civil service or the world of

finance. Eighty-seven high ranking officers from the Financial Police and other corps had been suspended from all appointments, as a precaution, and a complete detachment of the secret service had been 'frozen'. He added that other measures had been taken, all described in detail in a special report to Parliament, with the sole intent to warrant the safety of the citizens and the integrity of the democratic institutions. At the end he confirmed that similar measures had been taken in Spain, in close coordination between the two governments, and even in that state the mobilisation of the Guardia Nacional and the army was required for the same safeguarding needs.

Then Monti announced the live link to the President of the Republic, and sedately sat in his proper place. With a procedure as unusual as pressing, the video conference with the President took over and was also transmitted on the radio, to which our four friends remained glued. Napolitano began by expressing his condolences to the families of the deceased in the last few days. He did not mention the reason for the deaths, bringing them all together in an act of pity. The old President lavished all his energies in trying to guarantee national unity in such an alarming situation: at every driven point he took care to repeat that, as was required, he himself had taken command of the armed forces, whose loyalty to the Republic had been confirmed and consecrated by the facts; that Monti was in constant consultation with him; that the Chambers had agreed to remain in permanent joint meetings; that since the first Emergency Decree the guarantee of a referendum within six months had been fixed, and that widespread hope, as well as his personal wish, was to reach 'normal stability' even before that fateful deadline.

Before ending his speech with a vibrant appeal to all Italian men and women to be knowingly and responsibly vigilant, Napolitano urged the Chambers to accept the proposal, made by the Government, to form a Commission of twenty-one Parliamentarians who would have broad powers of control but with a clause that each member accepted to be militarised. That is: accepted to submit to the martial discipline with the sanctions envisaged in case of violation of the investigation secrecy, including the death penalty in extreme cases. On this

last point the speaker of the RAI transmission intervened with a witty remark, between reckless and genius: he leaked the indiscretion that someone was already working frantically to transform that Commission into a 'Committee of Three Wise Men', hoping that at least three candidates would come forward... This immediately unleashed a frenzy of jokes on the proverbial Italian heroism, of gags about 'Three Kamikaze', or 'Three Irresponsible Sages' or 'Three Little Monkeys see no evil, hear no evil, speak no evil', and contributed to melt away that tremendous tension, not only in Italy but also in the principal capitals of Europe and the rest of the world.

"Gosh, this time they are really serious!", exclaimed Davide.

"How great is the risk of civil war?" asked Arianna, immediately backed by Ambra.

"Well, it's difficult to say", resumed Davide, *"the internal situation seems well under control, what is unforeseeable is the underground war by States that are officially friends and allied... Who knows what the CIA and Mossad²⁴ are doing, so as not to name names... And, incidentally, guess if the Mafia is involved?"*

"Even the silence of the Germans and other Europeans needs to be figured out" Giacomo asked, *"maybe, once and for all, the bureaucrats are keeping their mouths shut because they understand that this is politics. I dare not say high, but certainly real politics! What do you think of the other matters explained by Giarda?"*

"You tell us, it will be quicker", proposed Ambra.

²⁴ The Secret Services of USA and Israel, respectively.

17 Back to the Lira

Having received the go-ahead from all, Giacomo continued: *“OK. Firstly Giarda has clarified the matter of the Italian and non-Italian euros”.*

“But how can they expect everyone to check the banknotes they receive?”

“In general terms this is the best defence against counterfeiters: the very fact that you must check the banknotes makes you notice any imperfections. The novelty though rests elsewhere: Giarda did not say that this measure was temporary, he repeated that it was ‘a bridging measure’, therefore I have a feeling that soon we’ll go back to the Lira.”

“Returning to the Lira has been suggested from many quarters, but has been firmly denied by Napolitano himself”, remarked Arianna.

“Right! By the President of the Republic who is not responsible for this subject, not by the Prime minister who is responsible... But we’ll know soon, within two weeks, before the reopening of the Stock Exchange”

“Accepting that they have already decided, will they be able to return to the Lira in two weeks?”, intervened Davide.

“Essentially they have already done so! Have you not heard of the provisions for interbank and online transactions? The monetary coup is already complete! The finance that really counts has already gone back to the Lira in Italy and to the Peseta in Spain. The real coup concerns the electronic transfers, which they got rid of in a fraction of a second decreeing the legal invalidity of any transactions of Italian or Spanish shares or securities, public or private, for two weeks. The finance that matters needs only a few days stoppage, or could continue forever with the farce of the Italian euros: a computer knows if a euro is Italian or not by knowing the nationality of the subject who trades it²⁵! I would bet you that when the Tokyo stock exchange opens, nothing or almost nothing will happen, because all the decrees concern the hidden part of the iceberg, the one that really matters. Once

²⁵ Apart from 'black holes' like Multinationals and fiscal paradises.

that one is settled, the rest is just an annoying detail, to begin with forcing citizens to use only euros issued in Italy. This is just folk, like the controls staged at the frontiers and emphasised through the media: all things that are necessary, psychologically and educationally, to make sixty million Italians and nearly fifty million Spaniards understand as quickly as possible the direction taken and what to do. For the same reason, in other words not to make one hundred and ten million citizens go crazy, you'll see that within two weeks we'll go back to the Lira and the Spaniards to the Peseta".

"And we'll have a massive devaluation"

"Not necessarily! Simply, Italy and Spain will join the other ten States that are members of the EU but retained their own currency²⁶. At least in the first stage, the accounts in euros in Italy and Spain should not be exchanged into Liras or Pesetas unless by choice of the account holder, thus functioning as an automatic ceiling price for the exchange rates. If the two governments issue their new currency in moderate quantities, and their bonds at a zero rate, as Japan has been doing for the past twenty years, it might even happen that the Lira and Peseta, by being kept scarce, will reevaluate in respect of the exchange fixed at the time of their reintroduction".

"But shouldn't the exchange rate be fixed anyway at the beginning, at a penalizing low level?"

"The rate of exchange of a currency, fixed at the moment of its first issue, is a purely conventional ratio, chosen arbitrarily, according to power relations, mostly inconfessable. And like the metre of the International System of Units: it has already changed definitions three times, and all were necessarily imprecise. In fact the real length of a metre is only that engraved on the bar of platinum and iridium kept at the museum of Sevres, that is it. And a currency should be the same thing, the only complication is that there are more units of measure for money than units of measure for length".

"Could you explain in detail?", demanded Davide.

²⁶ Bulgaria, Croatia, Czech Republic, Denmark, Hungary, Poland, Romania, Sweden, United Kingdom.

18 In the country of Bankland

“I’ll try!”, nodded Giacomo. “Today currency, having definitely dropped the gold standard, should be considered purely and simply an abstract measure. To understand this, and to dispel the confusion that reigns on this basic matter, let me propose a comparison between a currency and the metre.

Let us first look at a common case. Many big stores place at the disposal of their customers measuring tapes made of paper, of no value, so as to measure the dimensions of certain goods. A customer wants to buy a wardrobe, he measures it with the paper tape and pays with a legally recognised means. In this way one makes use of the metre free of charge, as a simple means or instrument, to decide the best economic transaction; one makes a merely conceptual, abstract, use of it.

Let’s look now at a possible case. A customer has a personal measuring tape, gold foil or precious worked silk, in other words with a high intrinsic value. If this client wants to buy a wardrobe, he evaluates the quality, he measures it, then pays by trading his precious tape for the wardrobe. In this way he makes a costly use of the tape, as the end of an economic transaction, as a tangible good.

In both cases, the customer and the seller alike move with ease through the different uses of the tape, either as a unit of measurement or as a good. There is no risk that they will confuse the abstract use, free of charge, and the tangible, costly use. No customer will expect to pay for the wardrobe with the paper tape, and the seller will certainly not bin the precious tape that he had accepted in exchange for the wardrobe.

Nevertheless, there is a nation, called Bankland, in which confusion reigns supreme, causing unspeakable injustices and suffering. Here we find specialised shops, called Banks, that in practice have a monopoly on the sale of paper metric tapes (the Bank-Tapes), since the State has surrendered what should be its absolute prerogative. The banks are producing bank tapes by the ton, with a little bit of paper and ink, and reselling them at a very high price, as if they were gold. The citizens accept all this without flinching, because habits, schools, the media and politickings continually legitimise, and strengthen, this state of

affairs. The precious tapes can be found only in museums or amongst collectors, or in the safe deposit boxes of the banks themselves. Everybody has seen some, at some time, but no one compares them with the paper measuring tapes, in fact, the latter have replaced the former not only as instruments of measurement but have also acquired their value, everyone calls them 'Banknotes' and everyone tries to amass them as if they were made of gold, ceding them in exchange for ever so big volumes of goods and services, and so causing devaluation of the goods, services and work... Now keep in mind the comparison between metric tapes and currency, and you will understand that there are two kinds of currency according to two ways of creating them and circulating them.

The first type is the Credit Currency, corresponding to what is prescribed by the laws of every State, even though nowadays those laws are systematically violated. This currency must be created by the State, as its exclusive monopoly. The State gives it free of charge or, more exactly, at its nominal value, without interest, to anybody selling goods or services to the State²⁷. In turn, anybody trading goods or services, including pure bank services, uses the money as a simple instrument, as a shortcut, as a unit of measure of the value of what was traded. The State does not allow any other use of the currency apart from the simple counterpart of the real goods or services and, at the same time, guarantees that there is always enough money to pay for honest work to whosoever can, and wants, to

²⁷ The State, EXCEPTIONALLY, is compelled to perform as the "Payer of Final Instance", i.e. to guarantee the value of its currency, intervening with public resources to fill the budget gaps made by a few fraudsters (public or private whoever they may be). However, almost no one notes that the State should be REGULARLY the "Payer of First Instance", that is the subject who puts in circulation new money every time he buys goods or services necessary to the community and for its orderly functions. So: the State creates new money that is bought by the citizens who offer a fair equivalent in goods and services (inflation = zero). If the State wants to build a new road or a new school, it simply prints more new currency. The State does not need, in fact should not, recover with taxes the old money (that has already been paid for). Hence it is clear how absurd is the position of our politicians who claim they could not pay the enterprises that have supplied goods and real services many months before. See also chapter 56.

do it. In this way money remains a simple, abstract, unit of measurement of the value of goods and concrete services, that are the true object of trade. The value of goods and services fluctuates according to the dynamic of the market, and their total amount grows more and more thanks to the robotisation.”

“In other words the national wealth grows.”, agreed Davide, “With technological progress, the number of work hours greatly decreases, whilst the cost of raw materials and working processes grows little. So the hourly wages must increase, the weekly working hours must decrease, not to mention overtime and underpaid labour!”

“Exactly. The State must regulate the flow of the money so that it remains in equilibrium with the value of goods and real services. The function of taxes, essentially, is to impose the use of the sovereign currency, and, only occasionally, is to ‘cool down’ an economy that is growing in an unbalanced manner, for example, if it produces more baby cots than children”, confirmed Giacomo, and continued:

“The second type is the Debit Currency. All around the world, all money is burdened by debt, even though it is illegal, as well as immoral. The currency is created by private banks that have usurped a state’s prerogative, and it is distributed with interest rates higher than the costs of bank services. To pay for the interest you need new currency (more debit currency), this creates a vicious circle of increasing, mathematically non extinguishable debt. These interests are compound, so the circle is even more burdensome, with regular unavoidable crises where the ‘cure’ prescribed by the strongest is to dump the said debt onto the weakest. This is a structural problem, a congenital defect of the system itself: therefore the global debt has by now become unsustainable, and everything will fall like a house of cards. Frauds, derivatives and any type of speculations will simply accelerate the process, however the outcome is structurally and inexorably determined”.

“Thanks for having clarified this trap that we all fall into, thinking that banknotes have a value per se”, interjected Arianna, “do you think that, from this, we’ll be able to better understand what Monti will do?”

19 Here we make Europe or live

“Ah yes, we were talking about going back to the Lira without spurious fear”, agreed Giacomo, “Let’s begin with fact that the Euro forced a revaluation against the other currencies, with grave damage to our economical and social equilibrium. If Monti wants the revolution to be understood and sustained by Italians, he will make sure Lira/Euro exchange rate is not too penalising, let’s say 10/8. The exchange rate, in theory, reflects the ratio between the real economies of the States²⁸. So if Monti wants to prop up the new Lira, he will have to sustain the real economy, namely favour full employment, boost education, infrastructure and welfare. In short he will have to do the opposite of what we have been doing so far!”

“So international speculation will not hit the new currency?”, asked Davide.

“First and foremost, with this farce of the ‘spread’ the scavengers from across the world, including some Greek magnates, are already speculating even against their own countries, and this is possible thanks to the fact that the Euro, as we will demonstrate quickly, is not a sovereign currency²⁹. In effect, why is speculation raging against Greece and not against Romania? They are both in bad shape, with the difference that Greece is attached to the ‘flesh’ of the Euro, so it offers more to suck, while it cannot even defend itself as Romania would do, still having sovereignty over its currency. Again, imagine that Italy is like a dog, definitely a strong one being the eighth strongest in the world. If it was free, that is with its own Lira, do you think the scavengers would attack it so easily, risking being torn to pieces? On the contrary, if the dog is tied with a chain, because this Euro is really a chain, the bigger the dog, the better the feast for the scavengers... As for the spread, do you remember the monsters that, through fear, keep a small community in the film ‘The Village’ isolated in ignorance and obedience? That’s it! The spread is the same thing, but it works with the whole of Europe!..

²⁸ This concept is better developed at chapter 36.

²⁹ This concept is revisited and better developed at chapters 43-44.

Well, I hope that Monti fixes the exchange rate at 10 Liras for 8 Euros. To keep it stable he will sustain the economy and will issue bonds at near zero interest rates. Only later, if need be, he will adjust as a 'one off' the exchange, either by devaluing or revaluing, though both have their pros and cons. Anyway, the 'one off' devaluation, if done in the proper way, is less damaging than inflation. As soon as it is freed from the chain of the Euro, and at the same time defended from speculative attacks thanks to the sovereignty of the Lira, the Italian economy will revert back to its physiological level and will restart in the best way. But the strong powers don't want this, so they wage psychological terrorism, as if devaluation were the modern form of the Plague. Yet us Italians, who in the past have taken advantage many times of the devaluation, today we are terrified, evidently because we have a short memory, and because our tele-hypnotists command us to be so.

Regarding your fear of devaluation, think, Davide, it would be as if you had been placed on a forced fattening regime to reach one hundred and fifty kilos, and I suggested that you return to your previous weight of ninety. Technically I am proposing that you slim by 40% or, to use financial jargon, a heavy devaluation of your obesity; in actual fact you would be making a sacrifice, may be bothersome, but healthy. Look instead at the sacrifices imposed on the Greeks, dreadful and needless, in fact counter-productive because they are being suffered without first having reinstated the Drachma. By analogy, the Greeks are losing weight down to 70, 50 kilos, but even those residual kilos are not theirs, they belong to the French and German banks, as before and even more. Those banks have bought ports, railways, whole islands, the real economy of Greece, and even complain that they had to give discounts on the debt, namely on accounting numbers. False discounts, as you see in some shops that give 40% on prices that were blatantly doubled. Housewives are less and less deceived by these tricks, whilst our leaders swallow the bait without batting an eyelid. To conclude, with the Drachma the Greeks would see the light at the end of the tunnel, whilst at the moment the only light they see is the headlight of the Euro-train advancing against them from the other end of the tunnel".

"In short, you not only don't worry about this global civil war, but you even seem happy about the return to our national currencies", noted Ambra.

"No, I see that return as a lesser evil, and temporary. Who wouldn't like a Europe that is truly united, with real democratic involvement, strong political leadership and a vigorous but not overpowering Euro?..."

...Who would not willingly accept a training session even if tough and protracted, in a German gym, just to reach all this? But if we have not been able to do it in the good times, how could we do it now, with this crisis that is impoverishing millions of families? With Greeks and Germans enraged with each other, with the Finns humiliating the Greeks, the Germans and French suspicious of each other like never before? With the British overjoyed in their euro scepticism, even though their real economy has been destroyed by the ultra-liberal Thatcher, the United Kingdom has suffered a devastating deindustrialisation, unparalleled in the world, British families and enterprises are more and more bled by the City of London?..."

...Who would not have shared this illusion that the monetary union would have forced the stages towards political union? But the Euro is not a true currency because it is 'a political orphan', the economists should have warned the politicians that an orphan currency would always have been at the mercy of speculation. In fact much more than the strength or weakness of a currency, what counts is sovereignty. Our lira was a sovereign currency, it is only for this reason that Sicily never suffered any speculation on account of its spread with Lombardy. Listen to what Paul Krugman, another Nobel Prize for Economics, has to say on this matter: 'By joining the euro, Italy in effect turned itself into a third-world country with debts in someone else's currency, and exposed itself to debt crisis'..."

...Who does not like the Europe envisioned by its founding fathers after the slaughter of Second World War, and embodied in the Erasmus exchange programme of our students? Sadly this model of Europe, based on the orphaned euro, is causing much more disintegration than integration, so I say: 'Primum vivere, deinde integrare (first live, then integrate)'."

20 Grasshoppers, ants, or Renzo's chickens?

"Exiting the Euro will be a beneficial shock not only to the PIIGS but also to the other Europeans who will try on their own skin all the negative effects of these divisions that are playing right into the hands of the speculators. In fact, us Latino may be grasshoppers, and the Northerners ants, but, instead of fighting our common enemies, we peck at each other like the proverbial Renzo's chickens! In fact this crisis, that was triggered by real estate and banking issues mainly in the USA and North Europe, is now offloaded onto the sovereign debts of States that cannot defend themselves because of the Euro, the bureaucrats' conceit, and the politickings' subservience. All of us, 99% of Europeans, must be aware that we are exploited, and build a common front against the speculators. Only once we have done this will the desire to construct a European Federation, political before monetary, with a Euro perhaps at double speed, but truly sovereign, more flexible, servant not master, blossom again... I believe that the whole of Europe will benefit from this Latin Coup that changes games having been rigged for too long. That lays bare little and big egoisms, and points the financial crisis to its monetary solutions. I believe that this process will sharply quicken, especially on the part of the young people who have confidence and hope, but also by the not so young who, thanks to healthy soul searching, will melt away their sense of guilt. Once we have understood that we are all in the same boat, in a few years we will be less affected by the old structures of power and more determined to build a true European union respecting, in fact valuing, regional peculiarities. We will be conscious that such diversities are our strength; that we are the world's first economic power because we give the right value to welfare and environmental conservation, and will not believe anymore in the ghost of a pretentious financial weakness. We shall elect Politicians with a capital letter P, we shall make sure that they exercise a coherent leadership, so that Europe will be the world leader not because of its past prevarications, but for the knowledge, humility and solidarity recovered in the trial.

21 Avoid gatherings

"Fine! At this point I think we deserve a break", interjected Arianna, "What about stopping at this service station and talking only of coffee for the whole stopover?"

"I'd be delighted", replied Ambra, "but is it not dangerous? The radio recommended avoiding crowds!"

Giacomo was just about to blurt something out, but Arianna pulled his sleeve and all welcomed the suggestion with enthusiasm, some by minimising the concerns of Ambra, others just joking about it. The crowd in the motorway services was more or less as normal for that time of the day. Some of the customers were glued to the screens, silent as if stuck with dazed expressions, watching the images of massive force deployment and of meticulous checks at the borders. Others seemed in more of a hurry, probably anxious to return to their homes. Nearly everyone was engaged in agitated, though brief, exchanges of news and opinions, uncharacteristically attentive to what their ears could pick up from whichever source it came from, especially from bartenders who, for the sole reason of not being just passing by, were presumed to be better informed than others. It felt like being in those old films where the sequences are accelerated, and imagine how liberating it would have been if, in the middle of that tangle of disconnected dialogues, every now and then a caption appeared like in the old films, with something written, white on black, brief and clear. In this setting, the decision taken by our friends to talk only of coffee seemed alien, but they managed it well after Giacomo's *tour de force*. Having calmly drunk their beverages, they left, more conscious of being thinking persons among that hustle and bustle of robots.

"You see? There wasn't even a policeman!", exclaimed Giacomo, addressing his in-laws with nonchalance.

"How do you know?", replied immediately Ambra, "Maybe there where twenty or more in civilian clothes!"

22 GNP: Gross Nonsense Product

Calmly they climbed back into the car, Arianna driving and Davide sat next to her. Then Ambra, as if she wanted them all to know that she was an attentive listener, although criticised for her exaggerated anxiety, asked her husband: *“So you think that all this turmoil, with the euros issued from Italy or not, helps us poor mortals, who measure each week with a handful of banknotes, whilst the true war, silent and invisible, is run by a few puppet masters who give us the ATM just as Columbus’ sailors gave little pearls to the American Indians?”*

“That’s an excellent simile and excellent summary!”, nodded Giacomo, and added smugly: *“So you’ll be able to tell me what percentage all that turmoil is...”*

“About 3%...”, replied readily Ambra, and she would have wanted to complete the phrase immediately but was undecided about specifying what the 3% was referring to, but then she committed: *“...of our Gross National Product!”*, but her intonation and nonverbal expression revealed that it was a question, not an exclamation.

“To be exact, 3% of the circulating money, it is an entity more complex than what it seems, but the econo-mystics find a way to ‘simplify’ it by calling it ‘Monetary Mass’³⁰ and by dividing it into three subsets: M1, M2, M3. Some include M4 but rarely are two of them in agreement about what the subset covers! On the other hand GNP is a well known and defined entity, even though it is a very bad indicator of national wealth”.

“You have told us this before”, resumed Ambra, *“Indeed I hesitated because your statement that the more road accidents and robberies we have, the more our GNP increases came into my head. Even if you are only half right, this GNP is a horrible measure, it is all the more misleading the more we believe we know it, the more we make a fetish of it... Instead it is a supersonic flying pig!”*

³⁰ the term 'Mass' is misleading as it is static. It should be 'Flow' because, for a currency, the speed of circulation is more important than its absolute quantity, as better explained in the last chapters.

"It's not my idea, these are officially recognised facts!", pointed out Giacomo, aware that he had to ward off the incredulity of his questioners, *"do you want something even more horrible? Even the property bubbles increase the GNP excessively³¹, yet they do not increase by one cent the value of the economy, because the houses remain exactly as they were or, rather, if they remain empty due to the high prices, they deteriorate quicker. What a bubble really does is to reduce the capacity of a young couple to buy a home, while it increases the capacity of the speculators. Like all forms of speculation, the bubble shifts the wealth from the poor who become ever poorer to the wealthy who become richer. In the past the speculation trap worked, mostly, in the relationship between the wealthy North of the world and the poor South. Today, with the globalisation, it works transversally in each State, impoverishing the middle classes of the wealthy Countries without lifting the poor Countries in the same proportion. Common citizen does not notice, on the contrary: if a citizen owns a house, the increased house prices make him feel wealthier and induce him to make wasteful expenses that he would not have made before, so he contributes to the impoverishment of himself, of his children, of his Nation and the Planet".*

"Oh, please, stop there... What is the name of the other indicator that you use instead of GNP in your development projects? I remember that it is fairer and more complete, but I can never remember the name nor the acronym..."

"It's HDI, Human Development Index. It was developed in the 90s combining the GNP with indicators of education and health, and was immediately adopted by the United Nations Development Programme. Since then, every year they publish the ranking of each Nation based on the HDI. Europe is always firmly ahead in this ranking, much further ahead of the USA; the leaders are always Norway, Sweden and other Northern European Nations, who have the most advanced systems of

³¹ If I live for decades in the house that belonged to my parents, the house has a value for me and for the Nation, but does not affect on GNP. If I sell the house today for 300,000€, the GNP increase by 300,000€. If the first buyer sells shortly after for 330,000€, and the second buyer sells the same for 360,000, this year the GNP will increase by 990,000€, plus related costs.

welfare in the world and where the State has a strong control over the economy, in spite of the liberal doctrines' obsession for 'less State, more Market'. Many would even like to include in the HDI an indicator of environmental health, like the Ecological Footprint³², believing that in this way the new index would be an excellent compromise between brevity and completeness³³. But up to now nothing has been done due to the resistance of those same strong powers who refuse the protocols to safeguard the environment, who continue feeding us with GNP, spreads and other ways of duping that are much effective in their plots to dominate and exploit...

We were saying that all forms of speculation increase the GNP, so officially the nation becomes richer, but in reality it gets impoverished, it loses the capacity for healthy growth, both economical and social. Never has a proverb been more appropriate than this: 'Bad money drives out good'. It is popular ancient wisdom, attributed to Aristophanes, but the economists call it 'Gresham's Law', in deference of their regulations: understanding only among themselves, like the initiates of a secret sect; peddling all as 'natural and/or scientific laws'. With these deceptions, the banksters have increasingly induced the commercial banks, and even enterprises and families, to speculate instead of investing. The malpractice is spreading, suffice to see the explosion of all types of lotteries among the poorer classes, and of increasingly rigged betting. The derivatives and the toxic bonds are no more than bets upon bets, inserted one inside the other like Russian dolls. At last, a poor devil makes 'miserable bets' whilst a bankster makes 'great financial transactions' and he also receives honours instead of being put in jail!"

³² www.footprintnetwork.org/it/index.php/gfn/page/footprint_basics_overview/

³³ others propose for an HDI enriched by indicators of social and environment health, not tainted by GNP, condemning unreservedly the deceitful nature of the GNP. See, for example, GNH (Gross National Happiness) adopted in Bhutan.

23 Condolences: you won the tender!

At this point Davide intervened: *“This reminds me of Vincenzo’s heated intervention the last time we went to dinner together. He was insisting on the need to focus and combat the new structural, systemic, vices that are sweeping through the construction industry, a sector he knows very well having worked in it for forty years. Vincenzo was condemning the terrible attitude, very Italian, to call tenders at the highest discount. Tenders that no serious contractor would take part in, not only because of the frequent Mafia threats and more or less veiled attempts of corruption, but, and above all, because to win one has to tender at a loss, clearly inferior to the costs a contractor knows he will incur to complete the work to a decent level. And yet, Vincenzo noted dejectedly, the companies throw themselves headlong into these works because they had to learn the latest techniques of survival, at a cost of throwing to the wind decades of professionalism and love for their job. So, if today you win a tender, it is a misfortune from an economic point of view, but it is an opportunity from the financial standpoint. You take the advance and you play it on the stock market, hoping to pull out the proverbial rabbit from the hat, in other words to regain with speculation the margin of profit that this system does not permit you to achieve with honest and qualified work. Moreover, if you have bankster friends, you ask them to make a derivative package to yield so much more if your company goes bankrupt... needless to say, it is all legal, and tax exempted!”*

“Yes, I remember that Vincenzo was really crestfallen that evening to note the evermore intrinsic degrading habits that allow an ailing financial system to violate a healthy economy. That evening we concluded with a joke: that there are fewer and fewer serious entre-preneurs and more and more 'extra-preneurs' (gamblers)!”

“True, I remember it well. Vincenzo was even bitter about the cultural degradation of the concept of quality. He was saying that in the past a commitment to perform jobs in a workmanlike way was nearly always kept rigorously, because it was imprinted in the ethical code agreed by all, even before

being formalised in contractual clauses, so the man's dignity was at stake even more than his professional reputation. He said that today, instead, the professional clause is both rejected and difficult to require. He noted ironically that 'in return' we now have quality certifications and endless technical specifications. They are useful and appropriate in principle, but are often so detached from practical experience as from contingent circumstances, scattered in the long bureaucratic maze that, after disproportionate costs and time, provides you only with the papers necessary not to go to jail if the buildings you have built in Modena come down like skittles at the first shock of an earthquake, killing honest workers... So he concluded that those buildings may surely be quality certified, but have not been carried out in a workmanlike manner".

"I myself know something about quality certification in school settings, and you too, Arianna", interrupted Ambra, "There are many new criteria to learn and good practices to implement, but all this is empty language if it does not grow hand in hand with professional ethics, in fact it degrades more and more".

"It's the same for privacy in general, but above all in medicine with the farce of pre-printed forms of informed consent", added Giacomo. "All dutiful and appropriate practices, but only if accompanied by an effective cultural and ethical growth of persons and communities, not if they are left like pasturelands for technocrats with neither head nor heart, 'diligent but stupid' like the computers they handle... So, each one from our own point of view, we continue to ascertain the lack of vision, of guidance, of democratic participation, that is the lack of Politics with a capital P. An absence that has led Europe and the whole world to this chasm"....

24 Monti the repentant globocrat?

Since all were nodding in silence, Giacomo resumed: *“Going back to the circulating money, let us define it as what should be, at least in theory, immediately redeemable in the form of banknotes, and let’s deal with the remaining 97% that circulates in the accounts of us poor mortals and, above all, in the computers of the masters of finance, or ‘Globocrats’. It is they who can make changes at will, keeping even governments hostage with their capability to transfer huge capital from one state to another with a simple click of their mouse. Here we really must rely on a true conversion of Monti, like the novice Saint Paul, because Monti originates from the circle of globocrats, he is a member of their most exclusive clubs, he knows their mentality, attitudes, strength but also weaknesses. Better than others he could implement the moves and the countermoves that will enable him to lead this game, I’m not saying to win, but at least to an honourable breakeven point for all, and salvation for us. In the meantime the alliance with Rajoy seems to me strategic because, if Italy is too big to be allowed to go bankrupt without serious damage even to speculators, Italy and Spain together become a poisoned chalice, but above all they form the nucleus for the aggregation of other Eurozone States, starting with Greece and Portugal which, according to the news though fragmentarily spread so far, follow this coup with keen interest”.*

“Let’s hope that Monti really is a convert, and plays well”, said Davide, *“but, to begin with, I ask myself what will he do to prevent the crash of our biggest companies that are also present on the Stock Exchanges of New York, London, etc., where Italian decrees do not apply. Unless what they were announcing earlier on radio is his work, that in the past weeks all the big corporations where our State detains a majority shareholdingg had been given a choice: either buy up Italian bonds in foreign Stock Markets, or be nationalised. If this is true that, more or less directly, us Italians have gained possession of 80% of our assets, we would be on top of the world, wouldn’t we? Like the Japanese. These rumours have even been associated with the alleged suicides of those Italians resident in*

foreign countries, amongst them a senior executive of ENI and even two of Finmeccanica”...

“Well, I doubt we’ll ever know if those executives committed suicide or ‘were suicided’, and still less we’ll discover the real causes. The raking in of our State bonds is a trail that is worth following up. But be aware that this is a clever move not for us but for the creditor banks, in particular the German and French ones. This is what they did to the Greeks. It is also true that the raking in started a long time ago, and in full daylight: when the ECB began giving loads of euros to the banks and the banks used them to buy State bonds. Nearly all of us are very critical on this matter, because the ECB gives euros at 1% or less and the banks buy State bonds at 6% or more, so here we have many unanswered questions.

First: why doesn’t the ECB give money directly to the governments instead of the banks? Reply: because the European Treaties forbid this, but this spells loudly the stupid masochism of EU bureaucrats. Even worst: the ‘markets’ slash the value of Monte dei Paschi by ten times, making it not even worth half a billion euros? Well, the treaties allow our government to lend MPS four billion, not to buy it (that morsel is reserved to private individuals!)... This is the true Anti-politics with a capital A, not Beppe Grillo’s Five Star Movement!

Second: why do we allow banks to be so lucrative? My reply is only God knows! And the bankers, obviously.

Third: why do we allow banks to make money on State bonds, instead of giving loans to families and enterprises, who desperately need them? I have two replies: one pessimistic and one optimistic. The pessimistic one is that our politicians are incorrigibly impregnated with ultra-liberal ideals, to the point of considering any interference in bank’s affairs taboo, apart from occupying the banks’ executive seats with dinosaurs so complacent as incompetent”...

25 Italians such as Japanese

“What about the optimistic explanation?”, Ambra cut him short.

“The optimistic one is that, though they don’t want to face the sado-masochistic vices that I have just pointed out, the raking in of Italian bonds is the real priority objective, whatever the cost. From this perspective it is very plausible that all parastatal companies were forced to buy up national bonds. Once the threshold of 80% is reached, or whatever the threshold that is considered safe, for Italian state bonds to be in Italian hands, a crash of the shares of our principal Corporations quoted in New York, London, Tokyo, would not be a problem. In fact we ourselves could facilitate that crash, by leaking through ‘influential voices’ of their imminent nationalisation, or other subterfuges, and being ready to buy the remaining shares”.

“Another prophecy that would be self-fulfilling?”, winked Arianna.

“Precisely, I see that you are learning fast... Now I am hyper simplifying, please be indulgent if I am inaccurate. What counts is that Monti knows well all the tricks of the trade, the possible moves and counter moves of his ex-mates, and that he moves in the right direction for us citizens, including regaining possession of Italian bonds and shares as many as possible, so as to protect us from the speculative jolts, like the Japanese did”.

“So I nearly got it right”, noted Davide, “apart from the conjectures of political fiction on the suicides”.

“In my opinion, yes”, agreed Giacomo, “Indeed this interpretation makes many of the events of the last few months less absurd and less contradictory. But if things are really so, and I really hope they are, I would not wish it even on my worst enemy to be Greek, because the so-called doctors have robbed them of their goods by buying them for a song. Someone in Finland actually wanted to confiscate the Parthenon”....

“Perhaps Greece was an incurable patient anyway”.

“Well, it is true that their leaders had made very underhand deals and the population lived like grasshoppers, but the filth of

the politicians and the carefree ways of the citizens were convenient for the French and German banks, not to talk about Goldman Sachs, who taught the Greek leaders how to cook the books to get into the Eurozone. As far as I know, the Greeks at the beginning of the crisis had a 'hangover of euros', a crisis of the commercial budget and of credibility, really severe but curable with a return to the drachma, with cuts to privileges at all levels, with a heavy but conclusive devaluation if combined with re-launching the real economy. Instead, the so called doctors cured them with injections of more expensive and counterproductive euros, so today the Greeks have a mortal 'poisoning of euros', their real economy is much more impoverished than it was four years ago, their debt has not been extinguished, on the contrary it has gone through the roof. It is the fault of this infamous spread that has not been reduced because the root of the problem is not technical, but political. Today the strategies of blaming and blackmailing are much more sophisticated, what the 'arsonist firemen' of the Troika are doing to the Greeks is more or less what us westerners, including the Greeks, have inflicted on the poor Nations in the last centuries, above all in the last thirty years, with the notorious 'structural adjustments'³⁴. We should call it 'global structural colonialism' as it is effectively, but the econo-mystics get offended if we talk of neo-colonialism... The mechanism is very simple in its clear rapacity, as I have mentioned before and as any honest scholar of international relations recognises".

"This your chance to explain it in depth to us. You'll see that this time we will listen to you without snorting and getting bored", proposed Arianna whilst her husband and sister nodded.

³⁴ imposes cuts in public expenses, privatisations, transfer of power from the governments to the "markets" in a structural way. In the past this trend hit essentially poor Nations, whilst today hits the entire humanity, transferring resources and power from the poor to the rich, even in the wealthy Nations.

26 Neo-colonialism simply put

Thus encouraged, Giacomo began: *"I go to an African guy, Juma, and tell him I am interested in his bananas. He replies that in exchange he would like my bicycle. I point out that my bike is worth two thousand bananas and he offers me one thousand. I object and tell him that with western goods there is no bartering, he is forced to yield, calls the whole family and they agree on two thousand bananas in exchange of the bike. I retort that it does not work in that way: the bike must be paid for in dollars, one hundred dollars to be exact, there is no problem though: by selling the bananas at the market he will obtain the hundred dollars he needs. To that Juma proposes: give me a hundred dollars for the bananas, I will give them back to you immediately in exchange for the bike. I explain that it does not work in that way, that I could be cheating him whilst the Market never cheats, so it is a good thing that we work through the Market. He argues that they also go to the market and trade the bananas as it pleases them. I reiterate that their type of market is the cause of their underdevelopment, because prices are not measured objectively, whilst us westerners have the Market, and Banks that dispense dollars, with which we go to the market to buy the exact quantity of what we like, comparing quality and prices. However I reassure him that we have helped his government to open Banks and Markets, so that they can sell bananas as God intends and develop like us. Juma goes to the market with his whole family, but comes back disappointed: 'At your market they want to give us only 90 dollars for our bananas'. I point out that the market is not mine, but The Market, the only guarantee of progress because guided by an Invisible Hand that adjusts the prices without favouritism, like the Divine Providence 'that makes the rain fall on the good and the wicked'. I add that today his bananas are worth 90 dollars because his Nation is rightly repaying the debt due to the Banks and Markets and other drivers of progress. But thanks to all this, soon he will produce more bananas and so, with parity of efforts, he will be able to buy up to three bicycles. I conclude that this confirms the fact that the Invisible Hand of the Market offers to all great rewards in exchange of small sacrifices. Juma*

confidently returns to the market with an increased stock of bananas and soon after comes back triumphant with the hundred dollars. I give him the bike though pointing out that it is as a friendly gesture since this morning the Market quotes my bike at 110 dollars.”

“How humaaan you aaaaaare...”, commented Davide imitating the voice of Fracchia³⁵ and wallowing on the seat.

“Wait, it’s not finished”, urged Giacomo, “Still for the sake of friendship, I introduce to him my friend Fethry Duck, expert in marketing, who will help standardise the production, so as to produce more and better. Fethry Duck points out to Juma that his family produces too many varieties of bananas: yellow, red and green, big, medium and small, sweet and bland. Even more negative: in each variety there are some early and some late growing. Not to talk about cassava and other inane crops, which could be converted to banana plantations. Juma objects that, thanks to the wide variety, the land is lush and for the whole year he and his family can eat, and lay aside some for bartering. Fethry Duck moralises that, instead, for this reason Juma never knows what he will take to the Market and will never have good profit because the Market requires certainty: only with certainties can one dominate the future and win the global competition. Fethry Duck has grandiose designs: just one type of banana, with peak production in December when prices are highest. A banana straighter than a courgette so it can be packaged better, and slow growing so it keeps better during the months of refrigeration that would cover the whole year, to minimize losses (because bananas rot but dollars don’t). Fethry Duck, expounding many new ideas, convinces Juma to make him CEO of his banana plantation. Juma needs not worry about anything, not to pay salaries to Fethry Duck and all the workers, because salaries kill the spirit of initiative, whilst bonuses on the production, above all if paid with shares of the plantation, are much more lucrative for those who work hard, they fuel a virtuous circle. In fact, Juma could make that long trip that for years he has dreamt of, on his return he will see the wonders of progress... Juma makes the trip and on his

³⁵ A popular Italian character

return he cannot believe his eyes: in place of the plantation there is a wasteland. Only a few tattered figures slouch near the shade of a dusty wind beaten bush, a skeletal dog tormented by flies licks some putrid water at the bottom of a can of Monsanto fertiliser. One of the figures makes himself known: it is cousin Tabu who, after many tired greetings, begins relating:

'At the beginning it was booming. In a short time everyone had sold their fields to Fethry Duck, the first one due to their enthusiasm, the last one because they could not compete. We had all become labourers, but we earned well. Unfortunately many children died, even some adults, they died through pesticide poisoning, it was our fault because we could not read the labels which were written in English. Even small animals died: fireflies, dragonflies, bumblebees and frogs (I suffered the loss of their nightly serenade, but Fethry Duck was glad because finally he could sleep in peace). Most of the fish died and some little birds as well, swallows don't visit us anymore in October. A lot of dollars were circulating, we also had the luxuries of the westerners: first of all a fridge stall of Coca Cola, then two, then a third one and then the ones of Fanta and Sprite, because we all know that competition is the soul of trading'... Juma didn't have the heart to tell him that all of them belonged to the Coca Cola Company... 'Then came sunglasses, jeans with holes (not like the ones we had before, real holes of the big name brands), discotheques, television with soap operas from the whole world, motorcycles and, for the best workers, even motor cars. Engines and petrol are great inventions, even though, with everybody being at work, some young boys who were not properly looked after learnt to sniff the petrol -no one knows from whom. Many passed to drugs and alcohol, knowing exactly where to find it. Then a serious dispute broke out with the Wapori, as we had not heard since the time of the great cattle raid and the peace concluded by your great great great grandfather Bahati: the Waporis made reprisals after Fethry Duck had obstructed their part of the river so that more water could flow to his banana plantations, Fethry Duck took them to the district court and then even to the High Court and twice obtained their conviction... So they themselves became impoverished in order to pay the heavy litigation costs,

some are still in prison. The Wapori are going around pointing out that those judges suddenly got rich, they accuse Fethry Duck of having corrupted them, but they cannot find any lawyers to take up their case. Only the tribal council has listened to them, they have banned our clan from any community event till the river is returned to its natural course. Our elders had warned us not to abandon our customs and our principles, but Fethry Duck was telling them that the progress is for the younger generation and that the elders were opposed to it so as not to lose their parasitic privileges. The first values to be lost were those of solidarity between families, and the notion of complementarity between generations; some of the old people even died of privations. Meanwhile the price of the bananas continued to slide, whilst the imported goods continued to rise, but Fethry Duck insisted that it was the work of the Invisible Hand of the Market, a work that, with scientific certainty, would prove providential in the long run, even though, in the short term, it was clear that it was to our disadvantage. So we had to work more and more to earn increasingly less, because the Market was reducing even more our salaries, with those reduced salaries we were therefore buying less than before. Then one day Fethry Duck said farewell, telling us that he was moving to neighbouring Ugambia, where he had begun new banana plantations and the leaders there, in comparison to ours, were much more devoted followers of the Market and its Invisible Hand. Fethry Duck also added calmly that there was no problem for us, because whoever wanted to could find work in his plantations in Ugambia. At that point most of the young people emigrated either to Ugambia or to the city, nevertheless making a living even more miserable than before. The elders took over the command, but those cursed banana-courgettes needed extremely expensive pesticides, and our market stalls were swamped by bananas from Ugambia, which are less sweet than courgettes but cost only ten shillings each (only God knows how it is possible). In a few months there was a complete collapse, the worst famine as never our forefathers had experienced, all this because we had stopped growing cassava, sweet potatoes, beans, maize and much more, to grow only those cursed banana-courgettes”...

27 I consume therefore I am

“The story of Juma is very informative”, commented Ambra, “even though you have over-emphasised it, as usual, and you suggest once again the theory of the ‘Bon Sauvage’, that all that is natural is good whilst what is artificial is bad. That theory was scrapped as soon as it was proposed three centuries ago”.

“Yes, I did emphasise, for educational purposes, I included that little bit of the Good Savage that, in my experience, is true despite censorship from different parties. What counts is the substance: with this story I wanted to explain what neo-colonialism is. But look closely to see that, ‘mutatis mutandis’ as you say, Goldman Sachs and the Troika have done the same to Greece: seduced and abandoned, after having squeezed her like a lemon with the complicity of a few leaders who must have been either stupid or corrupt, or both”.

“Excuse me”, said Arianna, “I cannot remember who is in the so called Troika beside the ECB...”

“There is the European Commission, in other words the government, which is not elected by anybody, and the International Monetary Fund, an exclusive club that saves big private banks with public funds. The mandate of the IMF is to guarantee the monetary stability in the interest of each nation; the monetary stability is threatened by the misdeeds of the banks; the misdeeds of the banks threaten their own survival, but without banks the system would not exist... So to guarantee the stability of the system one needs to plug the holes made by private banks, obviously with public money. The bigger the banks, the more imperative it is to save them, as you may remember having watched with me the film ‘Too Big to Fail’³⁶. Ultimately, a few private globocrats make and unmake the global finance with the complicity of non-elected ostrich-officials who cannot be removed by any public authority. By all accounts those authorities are conditioned by a few, very powerful private

³⁶ The ECB and Central Banks of all States present the same contradiction: they claim autonomy from their respective governments when it is a matter of creating and moving the money, but at the end it is always for the governments, in other words the citizens, to plug the holes made by a bank system that is structurally far away from the real economy.

foundations, controlled by the same globocrats. The result is this system that, structurally, reduces to poverty and despair billions of people, only for the unquenchable thirst of power and wealth of a handful of people and their lackeys: politickings, econo-mystics and sell-out journalists”.

“Flying pig!... If they are criminals, as you say, how is it possible that no one has ever realised this and tried, at least, to lessen their defrauding?”

“I believe that above all it is a question of social control. The Globocrats, controlling the media, in short ‘the weapons of mass distraction’, they have been able to enforce a unique thought as has never been tried before in human history. It is ultraliberal thought, of absolute individual freedom, above all in the field of economy where it translates into the most myopic consumerism, both harmful to the planet and lethal to the human race. For generations we have been subjected to a relentless conditioning, yet, if it is comprehensible that the gullible populations are enmeshed, I find it unthinkable that us westerners, who consider ourselves the shrewdest on the planet, we are imbued by consumerism up to our necks, and cannot produce effective antibodies. We are living in a collective hallucination that self reinforces itself, albeit between isolated reactions of alarm and protest, and despite the thousands contradictions that even the bosses recognise well. For example, they know well that being rich in a world of poor people is not convenient. And even obeying the dogma of consumerism, they well know that a billion dollars is used up faster and more efficiently if distributed between a million people than if left to one person only³⁷. But this cynical and sadomasochist power has its own reasons that don’t heed other reasons. Reason requires justice, whilst a rapacious concept of power imposes injustice and resignation, in order to self-maintain, and to make believe utopian the most genuine concept of power as a mandate for common good”.

³⁷ This is shown by the success of micro credit, and represents the solid foundation, economical and financial as well as ethical, for the Citizenship Basic Annuity (see chap. 56).

28 The notorious 'Invisible Hand of the Market'

Giacomo was so excited that no one tried to restrain him. *"Think of the Invisible Hand of the Market, maybe the greatest mystification ever perpetrated in the whole of history. According to the ultraliberal ayatollahs, it would be a natural law, proven scientifically, impartial and beneficial. A law that no one, private or public whoever it may be, should be opposed to, because that resistance, though enthused by best intentions, would have negative results. Let's look at what Adam Smith, the eighteenth century British economist, to whom this theory is attributed, used to say. For him, as for the whole culture of that time, the expression 'invisible hand' was proverbial and referred to Divine Providence. He used to call the mercantile capitalists 'Masters of Humankind' (who were schoolgirls in comparison to today's financial capitalists). He called 'Rational Economy' the classic liberalism, which by then was very sensitive to the ethical requirements, while today the ultraliberals despise them. Well, in his celebrated 'Wealth of Nations', Adam Smith foreshadowed what would have happened if the Masters of Humankind, by applying the teachings of Rational Economy, had moved production where it would be more convenient (in other words by outsourcing, as is done nowadays, with a cynical and sadomasochistic attitude). Well, Adam Smith cautioned that in this case 'the Masters of Humankind would have profited, but Great Britain would have suffered'. But he added he was confident that a healthy patriotic sense would have deterred the bosses from their nefarious deeds and all would have gone for the best 'as if an Invisible Hand would have spared the British from the devastation of the Rational Economy'. Take note: this is the only time that Adam Smith talks of 'invisible hand', he does it in the context of a sharp criticism to the excesses of classical liberalism, of which he is universally recognised as the founding father".* Seeing disbelief in the faces of his relatives, Giacomo added: *"My source in this instance is Noam Chomsky, one who knows a lot about power and mass manipulation".*

"Flying pig!", butted in Ambra, *"I can't help believing you, because it is easy to control, so let me try to summarise: Adam*

Smith formulates the principles of classical liberalism to vindicate the freedom of the middle class from duties and other controls that the nobility were imposing, like parasites... and up to here all is well. He denounced with foresight the dangers inherent in his own theories, but trusted that the Divine Providence would remedy them by acting through the ethical principles that in those days were still moderating the greed of the owners. However, his idea was manipulated and inverted to such a degree to make him say that the free market behaves 'naturally and scientifically' like the Divine Providence, so its rules must not be sanitised by careless ethical qualms"...

"You could not have summarised it better", said Giacomo, and this helped him to moderate the outrage pervading in him.

"I remember you being red with anger when you stopped the DVD of the film 'A Beautiful Mind' and you pointed out that all those brilliant scholars were quoting the lessons of Adam Smith in the form that by now has become classic, even though it distorts entirely his thought", added Arianna.

*"In fact, in that movie John Nash's mates ascribe to Smith the following words: 'in every type of competition, individual ambition is useful for the common good'. And: 'the best result for all is obtained when each member of the group does what is best for himself'... You understand that in this way egoism is exalted in the most sinister way, and moreover it is disguised as scientific philanthropy!"... Once again Giacomo's voice had become hoarse, he was barely able to speak, then he relaxed a little adding: "John Nash demonstrated that the best result is obtained when each member of the group does what is best for himself **and for the group**, and this won him the Nobel prize".*

29 Even Darwin is turning in his grave

After deep sighs, Giacomo resumed: *“Now you understand why Adam Smith is turning in his grave, but there is another character, who’s even more famous, who is turning even more: he is Charles Darwin, the father of the theory of evolution, with the fantastic scientific developments and deep philosophical and ethical reflections set in motion by his theory, thanks to those who were able to accept and develop it with intellectual honesty. Like Adam Smith, Darwin was a classical liberal, a philanthropist, fascinated by the beauty and inner coherence of the living nature, the positive role that the human species is called upon to perform in those evolutionary dynamics that he deemed to be so mysterious as to be admirable. He believed that the foremost factor of evolution was competition, even though he was conscious of overestimating its importance. For example, every time that someone spoke about ‘survival of the strongest’ in the ‘fight for life’, he would correct it with ‘survival of the fittest’, in other words he understood that the key word was ‘fitting in’ not ‘overpowering’.*

In all likelihood, facing the modern developments of Ecology, Darwin would be the first to recognise that adaptability, in fact co-adaptability for co-evolution, establishes the supremacy of cooperation over competition, and thus loosens those controversial knots of his theory that he himself had struggled in vain to resolve. Yet his thought has been distorted by the so called Darwinists, social Darwinists and Neo-Darwinists, as perhaps in no other case in the history of ideas. Exploiting the fame of his half cousin Darwin, Francis Dalton justified the suppression of disabled, and founded eugenics. Many sociologists manipulated Darwin’s thought to justify racism and slavery, which he bitterly condemned. So-called ‘Darwinist’ politicians justified colonialism passing it off as a kind of natural law. Many even believe that he may have inspired Hitler, though there is no proof of this. Eight years before Darwin published his theory, Herbert Spencer wrote: ‘it seems cynical that a widow or an orphan have to be left alone in the struggle for survival. Yet when they are not isolated, but related to the interest of the whole humanity, these misfortunes are full of the

highest beneficence'. And: 'Men, with their do gooders, upset the natural order: deluding themselves of making a good deed to an individual, instead they provoke a collective damage'. Observe well: these things were written eight years before Darwin published his masterpiece, yet Spencer is labelled by most as a Darwinist! A recent gem comes from the Finnish minister for European affairs, Stubb: 'The Euro is a Darwinian system: it is the survival of the fittest, and the markets fuel this state of affairs'. It goes without saying that most economists declare themselves Darwinists, thus pretending to have two of the so-called 'supreme laws, natural and scientific' to offer to the globocrats to dominate the world: for the mellow measures Adam Smith's 'Law of the Market' is enough; for strong measures Darwin's 'Law of the Jungle' is quoted, but in an anti-scientific, anti-economic and anti-ecological interpretation. In fact the jungle is amongst the richest ecosystems on the planet, where an incredible number of flora and fauna species (and minerals) coexist in a continuous process of co-adaption and co-evolution species-environment-species. Where the species that we consider more humble and weaker cover the most fundamental roles: like bacteria, without which there would be no life on this planet. Those who quote the lion eating the gazelle as an example of competition have understood nothing: that is an example of cooperation between two species, for the progress of both. On the contrary, lions compete amongst themselves for their reproduction, and with the other predators for food. Similarly, gazelles compete amongst themselves for their reproduction, and with the other herbivores for food. By this, one can understand that competition is a secondary trend, and indeed conservative rather than evolutionary. On the contrary, without techniques of hunting in packs, that are clear examples of cooperation, nearly all predators would become extinct. Without similar herd techniques many more herbivores would perish, due to predators and even more severe environmental dangers".

30 Do you ask the innkeeper if his wine is good?

“Flying pig!..”, interjected Ambra, “... It is still beyond me. First class scientists have proven that strategies centred on pure competition are losers: not only John Nash, the ‘beautiful mind’, even Amartya Sen and others you often quote, all Nobel Prize winners. The classic Prisoner’s Dilemma often comes to my mind, even though I may lose myself in the details to reconstruct it, but I remember well that its strict logic penalises choices that are competitive and selfish but rewards the altruistic choices of cooperation. So I ask myself: do politicians know these things or not? In the faculties of Economics, what do they teach?”

“Oh! Well, if you wait for the schools of Economics, you’ll wait for ever! Lined up, first indoctrinated and then paid and controlled to indoctrinate and churn out their future fellow ‘innkeepers’: all ready to swear and forswear that their wine is good... They are busy making their language as complex as possible, a sectarian language that they themselves, in rare moments of sincerity, admit they understand poorly. A language intentionally so elaborated in order to keep away curious and free thinking brains like yours: compared to this one, lawyers and doctors use languages of exemplary simplicity and clarity!

To conclude on the Invisible Hand of the Market, this is what Joseph Stiglitz, vice president of the World Bank and Nobel prize winner in 2001 said: ‘the Invisible Hand of the Market is pure utopia, that could work only if everywhere and always there is a parity of information and means between buyers and sellers, zero conflicts of interest and many other unfeasible conditions’. So, think of the mismatch between Juma and Fethry Duck and draw your own conclusions. Nevertheless the econo-mystics continue undaunted to take for granted abstract patterns, deterministic and reversible, that deny the arrow of time and Entropy³⁸, aiming sooner or later at an equilibrium similar to the chemical-physical one. The reliability of their patterns is readily summarised by the dictum: ‘sooner or later, everything ends up sorting itself out: most of the times, badly!’

³⁸ See note on chapter 58.

In short, an econo-mystic who wants us to trust in the Invisible Hand of the Market commits the same mistake as an engineer who wanted us to trust in perpetual motion: the engineer makes sure not to make this mistake, whilst the economists don't care, and expect us to follow them blindly, too!"

"Classic physics has developed theoretical, over-simplified, models of the real world, engineers know that those models are too good to be true. For example: without friction there would be 100% mobility efficiency; without the arrow of time a broken vase would return undamaged, a bad mark could be erased", pointed out Ambra.

"True, but can you imagine people walking on the sidewalks as if on very slippery ice slabs? And if one of your students went back in time to cancel a test that had gone badly, what would you do? You would also go back to restore it, and so on, so you can invent your own type of perpetual motion?", countered readily Arianna, "It does not seem likely that the real world would function better if it followed the ideal models of classic physics, rather the contrary!"

"Certainly it could not support life", added Giacomo. "Only the laws of life are truly natural and scientific, they promote progress on the planet from chaos towards order. The engineers fuel technological progress precisely because they know that they have to adapt their theoretical models to practical reality and living man. On the contrary, the econo-mystics persist in wanting to force the living reality by using their lethal theories, the politicians chase after them instead of advising them to see a good psychiatrist. Every time those theories create disasters, we are also reproached: they pontificate that it is our fault because we only partly applied the theories, they then prescribe bigger doses of the same poison... That is to say: cuckolded and clubbed! Because at one thing, as Bernard Maris says, his colleagues econo-mystics are unbeatable: explaining today why their recipes did not work yesterday"...

31 The Great Crash of 1929

"Unfortunately, there is nothing that will make them change course, unless by some exception, but then they return to their sadomasochistic regulations..." resumed Giacomo, then added: *"Look at the Great Crash of 1929"*.

"I have studied that well," Arianna said, *"I've discovered things even more incredible than what you have told us from time to time, in bits and pieces"*.

"Good, so I hand over the microphone to you!", said Giacomo mimicking the gesture with enthusiasm. Arianna at first covered herself, but then had to accept willingly: *"The Great Depression of the early nineteen-thirties, following the Great Crash of Wall Street Stock Exchange in New York at the end of 1929, is surely the most represented crisis in films, so much so that even less cultured people have at least a vague idea of the poverty and desperation of those years. Among other things I think it noteworthy that the very recent film 'The Artist' resumes the style of silent black and white movies of the first one, 'Modern Times' by Chaplin... maybe to reveal that with the current crisis we have plunged back into the 1929 crisis without having learnt anything? After the first world war the United States were rapidly taking over from Great Britain as the first imperialist world power. Within the country, with Fordism, they were already in full consumerism mode, so when the real estate bubble burst in 1929, it was much bigger than the previous ones. The United States, champion of liberalism, applied the treatment dictated by that doctrine, in other words, cuts to public spending and credit squeeze, and so then, exactly as today, the crisis deteriorated with a cascade of bankruptcies, dismissals, drops in consumption even of the basics, stalling of the basic economy, and a vicious circle that continued for nearly four years with bad repercussions even in Europe. At that time Franklin Delano Roosevelt was the governor of New York. He had experimented with some measures of social support that, though he had limited means at his disposal, had increasingly convinced him that ultra-liberal recipes were counter productive"*.

32 Roosevelt's counter current recipes

Encouraged by nods of approval from everyone, Arianna continued: *“At the presidential elections of 1932, Roosevelt campaigned against the flow, won, and immediately launched his New Deal. In the first three months of his leadership he introduced so many counter-measures that, from then, attention is paid to the way a newly elected politician operates in the first three months in office, in fact the first hundred days that have become proverbial. You must note that one of the first measures was the closing of banks for a week and muzzling of the Stock Exchange: this seems to me a precedent that bodes well for the Latin New Deal. The President opened the purse strings for measures contrasting the social emergency: benefits for unemployment, schools and health; support to grassroots organisations and trade unions; incentives for the businesses to employ workers; major public works, especially on hydroelectric plants and irrigation, with mass hiring and revival of the agro industrial system: a welfare system driven by the state, as the USA never imagined before and never has since.*

The Roosevelt's formulas were so democratic that the great financiers sued him at the Supreme Court, accusing him of violating the liberal principles enshrined in the Constitution. Indeed he was most faithful to the Constitution drawn up by the Founding Fathers, who were classic liberals, humanists and philanthropists: on the contrary, in the meantime the views of the liberals had become extremist and cynical. Whatever the case, public orders had gone through the roof, followed by the private ones and by consumption, so Roosevelt had an easy time for winning his second mandate with the highest share ever obtained by a president in the USA. In fact only the support of the masses, and especially the middle class, enabled him to withstand the war waged on him by big business, with lawful and unlawful means. One must remember that, shortly before he took office, Roosevelt miraculously escaped an attempt on his life, where the person besides him was killed. The murderer was an Italo-american anarchist who, according to official reports, had acted completely alone, so no one could explicitly mention obscure instigators”...

"As Giulio Andreotti says, to think evil might be a sin, but most of the time you guess right", commented Davide.

"In fairness one must say that another Italo-american, Ferdinando Pecora, a lawyer of the Banking Commission at the Senate, gave Roosevelt a huge boost by conducting the inquest on the crash of the Stock Exchange, incriminating some big guns of the financial world, including JP Morgan, the powerful boss of an empire that still retains his name, second in the world only to Goldman Sachs. That precedent has remained so alive in the minds of the Americans that, a few months ago, the Washington Post challenged Obama to establish a 'New Pecora Commission' to investigate the Wall Street frauds that triggered the current crisis..."

"...And that continue to fuel it, even though the speculation has now been turned towards the euro because it is the soft underbelly of the global system", pointed out Giacomo.

"Finally, the skulduggery of his adversaries, in particular the warmongers, intensified at the 1940 elections, when Hitler was rampant in Europe but Roosevelt stood on non intervention. He was obstructed even by his own vice president, the expected democrat candidate who was supported by some republican circles, and not so secretly either. So Roosevelt, breaking an unwritten rule started by Washington, put himself as a candidate for the third time and won. Then Pearl Harbour happened, and the US entry into the Second World War. Roosevelt was re-elected in 1944, prepared for the peace treaty after the Yalta and Potsdam conferences and died shortly before his successor, Truman, ordered the dropping of the atomic bombs on Hiroshima and Nagasaki"...

"You have studied really well", said Davide patting his wife on her shoulder, his face beaming with admiration, whilst Arianna's sister heaped more compliments on her.

"Really well, I have also learnt a lot of new things", endorsed Giacomo: "Indeed, recently I discovered certain gaps in my knowledge, because false news, if repeated a thousand times, will end up being believed as true... as Gobbels theorised".

33 Free cat among free pigeons

"The false cliché is that Roosevelt had applied Keynes' formulas. Instead I found out recently that he was applying the 'Political Economy System' of Hamilton, the first Secretary of the Treasury of the USA. That text is still considered the 'American economic bible' and arranges the thoughts of the Founding Fathers (Washington, Franklin, Jefferson, etc.), developed in opposition to the doctrines of British imperialism from whose yoke they were fighting to free themselves. It is very informative to note how scholars belonging to the same cultural roots, but the ones sided with the imperialist front, and the others with the independent front, were describing the economic reality in antithetical terms. It is also very illuminating to observe that the recipes of one group were diametrically opposed to those of the other, while both applying the same 'Rational Science'. Irony of fate: the American scholars gained independence in the same year that their overseas colleague, Adam Smith, was giving his work to the press...

In more recent times, you know that I am an admirer of the Father of Tanzania, Julius Nyerere, who gained independence from Great Britain in a peaceful way in 1961. Well, his reasoning resembled that of Hamilton a lot. When he clashed with Reagan at the Cancun conference, the last strong attempt of the Non Aligned Movement to obtain a New Economic Order, Reagan behaved towards Nyerere more or less in the way that King George III of Great Britain had behaved with his subject George Washington. The lamb Nyerere dared oppose the wolf Reagan on the basis of the 'American economic bible', but ended up as Phaedrus had written two thousand years ago in his fable³⁹. Even Nelson Mandela, supported by Nyerere, was pleading his own cause in a similar way... and Reagan put him on the list of 'terrorists'!

The 'American economic bible' states that the principal wealth of a nation are its citizens (today we would say: the human resources so much praised in words but, in fact, trodden on). It says that the state must support their education to the

³⁹ The wolf did not listen to reason, and devoured the lamb.

highest levels, promote creativity with credit, favour them with the infrastructures and defend them with customs barriers in the first phases of development, so that they can feed the scientific and technological progress that creates the highest added value. This is a humanistic view, diametrically opposed to the imperialistic and materialistic one interpreted nowadays not only by the world masters but also by the IMF, WTO and EU, under which a weak State should export raw materials to obtain hard currency, and leave its own citizens at the mercy of the 'Free Market', just like in Juma's story".

"I follow attentively the disputes of the 'No Global' Movement against the WTO, and I must admit that at first I was prejudiced because I believed that the WTO was part of the UN. Then I found out not only the good reasons for the protest, but also that the WTO is little more than a private club that does everything possible to undermine the sovereignty of States and to boycott many UN resolutions. The most shameful example is the merciless war that the WTO has been waging for twenty years to prevent poor Nations from obtaining AIDS drugs without paying the exorbitant royalties claimed by the American and European pharmaceutical corporates. The WTO is another flying pig and a supersonic as well!", declared Ambra, becoming almost as angry as her husband.

"Furthermore the same WTO statute foresees an exemption for emergencies like AIDS, but here we return, once again, to the fable of the wolf and the lamb. That is why the globocrats insist on maximum deregulation: because they don't even agree with the regulations they themselves make. The Swiss Jean Ziegler says 'the declared scope of WTO is to create a global economic area of absolute freedom, within which it is implied that a few globocrats can buy the entire world'. These people have not only provoked the crisis but they maintain it, because this is the ideal environment to speculate and to exceedingly increment their economic power and political blackmail...

...Precisely in the years of American independence, another Swiss, Rousseau, noted how in Europe the word freedom was cynically exploited, and wrote: 'Between the weak and the strong, freedom oppresses, law gives freedom' ".

34 Article one: who has money has won!

Giacomo had become impassioned, as happens every time he disproves his opponents pointing out the contradictions between their behaviour and the principles they themselves proclaim. He continued: *“Everyone knows that history is written by the victors, who distort it to their own convenience. It is therefore not astonishing that Economics is written by the masters, and therefore distorted to their advantage. Indeed, many historians are mavericks while the economists are a caste, so in economy it is much easier to cheat and, at any rate, the obscure language and the sterile mathematical formulas are used to mask the contradictions that any sensible person would detect without difficulty. The American society in its brief history and tumultuous growth shows more clearly, so to say in black and white, the discrepancies that the old Europe manages to conceal more easily, with various shades of grey. The Americans, who still seem to be the cowboys of an epic western, tend to prevaricate by force, nonetheless always considering themselves on the right side. Us Europeans, particularly us Latino, always try to circumvent the obstacle in cunning ways that, in the end, can be traced back to the fateful ‘article one: who has money has won!’. If we look at money, it could be right to state that a few European families own most of it, and are exercising an ultra-sophisticated neo-colonialism on their former colonies, including the USA. In fact the USA are their armed wing, having a more disciplined, then easier to steer, political class than the European one, and having the dollar that is much easier to deal with than the euro. Here of course we touch on cynism to the highest degree...*

Anyway, either with de-regulation or with hyper-regulation, the result is what prophesised by Orwell in ‘1984’: ‘there was nothing illegal, since there were no longer any laws’. In the Old as in the New Continent, when money becomes the ‘extreme reason’ every reason is trodden and derided: when will we achieve a real, coherent, humanism even in the economic and financial field, according to the dictates of our Constitution and the constitutions of all the world’s States?”

35 The revenge of the side-lined bankers

Our friends were deep in those thoughts, when the radio transmitted some news and live interviews on the beginnings of what in a few days would be known as ‘the revenge of the side-lined bankers’. A big bank had been put under receivership, after the top executives had been indicted for serious financial crimes, but the controller was, if possible, even more compromised than those executives. So the older employees, those who in the past had been routinely cast aside to make way for the rampant younger generation imbued with ‘creative finance’ (an understatement for not saying fraudulent), they decided that enough was enough so physically occupied the headquarter, reinstalled themselves in their former offices and announced their will to restore the sound policies learnt in the school of Einaudi ⁴⁰. In brief, other branches were occupied by the fifty year olds, and that revenge was spreading like wildfire.

“About time! Even this seems a positive development”, commented Davide with enthusiasm. *“You want to bet that within days we shall even see some of our banker friends on the barricades?”*

“They have all my solidarity”, observed Giacomo. *“They are people who pulled the cart, and that is the very reason why they have been cast aside, but how many of them have understood that today it is the cart that is pulling them?”*

“Here we go again! I had nearly forgotten your statement about the cart that pulls the oxen. Do you mind explaining it once and for all?”

“I don’t think I’ll find it easy to be clear and concise at the same time...”, warned Giacomo, worried that he might abuse their patience.

“Now we dance, although we would rather avoid it”, intervened Arianna, *“so we have to learn to dance well. You do your best to help us understand these dance steps which are so unnatural, and we’ll follow you. Are you with me guys?”*

“Ok, I’ll try”, said Giacomo thus comforted, as the other three prepared themselves for another mental marathon.

⁴⁰ Economist, second President of the Republic, very popular for his frugality.

36 Not all that glitters is gold

Clearing his throat, and staring at the headrest in front of him so as to reorganise his thoughts, Giacomo resumed: *“For millennia man managed real assets and money with relatively little conflict, until the system adopted at Bretton Woods was put in place, after the Second World War, whereby the wealth of a Nation was measured with its GNP, all currencies were linked to the US dollar, and this was convertible into gold at a fixed price of 35 dollars per ounce. But that system soon showed its limitations, suffice to say that today gold costs circa 1,600 dollars an ounce, and the disputes at the end of the Sixties were showing the sore point more and more. The unsuitability of GNP as a measure was being questioned, meanwhile it was being asked: ‘How much gold is a unit of worldwide GNP worth?’ To know this, one had to impartially measure the world GNP, make an inventory of all the gold, and calculate the ratio. Then one had to regularly monitor GNP, gold and their ratio. The quota of world wealth in each Nation’s possession had to be acknowledged, and consequently one had to adjust the exchange rate between different currencies. So it became very clear that all those measures, apart from being controversial for theoretical reasons, were impossible to do in practice, but not to the point of concealing the evidence that the stronger Nations had cheated until then, while scores of Nations which had just gained independence were demanding that their quota of world wealth was properly assessed. Not to speak of the Soviet Union, the biggest state on the planet by territory, which was mining gold by the ton but was compelled to undersell it and therefore, right in the heart of the Cold War, was demanding its revaluation, or, in other words, the devaluation of the dollar⁴¹.*

In short, in 1971 the monetary castle built around the dollar could no longer hide its artificial nature, full of incoherent complications: a real Gordian knot. And yet, while at Gordio Alexander the Great assumed responsibility for his own actions

⁴¹ This explains why most Nations changed their measurement by adopting the international metric system but nearly nobody changed their currency.

and neatly cut the knot with his sword, Nixon 'suspended' the convertibility of the dollar to gold on August bank holiday weekend, according to the most classic script of the dirty dealings. The convertibility to gold had been suspended before, in many other nations, but only temporarily and in times of deep crisis like that of 1929, as the classical exceptions that prove the rule. This time, instead, it was clear that it was a final farewell to the rule itself. From that time onwards the USA and the great capitalist powers, having discarded the fig leaf of the convertibility to gold of their currencies, they reserved for themselves the right of cheating, through arbitrary exchange rates, without even pretending to play clean. It could be argued that, if the convertibility of the currencies to gold was a false promise, abolishing it was at least an act of clarity. True, but the psychological qualms were also abolished, in short the essential notion that a currency is worth nothing if there is no real assets to support it⁴². So today, without even realising it, all of us live in a regime of radical monetarism, as if the money had a value of its own and for itself, an absolute value, loose from any link with real assets. All of us act as if we could live by eating money, even immaterial money, electrons”.

“Flying pig!” intervened Davide, “The theoretical mechanism to establish the value in gold of one GNP unit seems clear to me. I also understand that, in practice, to ascertain the quota of each state would be anything but easy, much less peaceful, but are you serious that what the United States did was such a shameless bluff?”

“Sure, shameless and used against its own allies, moreover. It was France and Saudi Arabia that, having accumulated huge dollar reserves, asked to collect the equivalent in gold. In response Nixon jumped the gun, keeping the dollar as the reference currency of the world and leaving everybody without alternatives but to go on playing with their own banknotes of just coloured paper in the great game of World Monopoly”.

⁴² The Deadly Sins of money are the same as its qualities: not rotting, easy to gather, hide, and circulate. The remedies described in the last chapters take all this into account.

37 Who controls the controllers?

“So, how do they measure the GNP today, and the value of one currency compared to others?”, asked Ambra.

*“By hand measures, as they have always done, but shifting the weight from the real economy to the ‘market expectations’ (i.e. to the diktat of the speculators); that is: increasing the level of the bluff, without taking their political responsibility. They have delegated this very sensitive task to ‘technical bodies’, the notorious Rating Agencies. All based in New York but officially super partes, so ‘neutral’ that for decades us Europeans have tried to institute one of our own, you can imagine when a poor nation will be able to set up its own... So ‘professional’ that they have awarded the triple A rating, i.e. the highest rank, to Lehman Brothers, Parmalat, and other windbags such as these, up to the day of their inevitable collapse... So ‘exempted from political influence’ that they are excluded from any effective public control and are steered only by the invisible hand of the market that **they** make and **they** unmake as they please. Let’s take Tanzania as an example again: from 2000 to date its GNP, as certified by the World Bank and IMF, is growing by about 7% yearly, while the GNP of Europe and USA has grown by 2%. Yet in the same period the Tanzanian shilling has lost more than half its value in the exchange with Euro and Dollar⁴³, while it should have revalued, if the economists applied their own formulas correctly. When Nyerere complained that it took more and more sisal to buy a tractor, Reagan told him to keep quiet and thankful, otherwise he would have been left at the mercy of his communist friends (at least Reagan was taking on his responsibility). Today instead, in Obama’s embarrassed silence, the globocrats tell president Kikwete to keep quiet and thankful if they grant Tanzania a ‘generous’ B rating. Needless to note that such abuses are experienced by hundreds of other states where half the world’s population lives. Indeed, even on the other side of the world things are going from bad to worse”.*

⁴³ This result is attributed to inflation, another ‘sacred’ word to cover a dirty and shameless trick. In the real economy one would need increasingly fewer bananas to buy a PC, not the other way around.

38 The globalisation of the gaming table

Giacomo resumed: *“Today the intrigues are more and more complicated because China, India, Brazil, Russia, South Africa, and other emerging economic powers claim their seat at the gaming table. Primarily because the croupiers are no longer the western powers but a handful of globocrats, private groups who control central banks and rating agencies, professional super cheats without affiliation to any geopolitical alliance, with an incredible maze of conflicts of interest between controllers and controlled. The globocrats are able to blackmail Obama and Wen Jiabao, let alone poor fellows like our Junker or Tusk, non elected presidents of institutions founded only on red tape. The EU is the first economic power in the world, but has neither a sovereign currency nor a military deterrent to support a global financial bluff. The nineteen States of the Eurozone are sunken by a spread that would be comical if it was not perceived tragically. All, some more some less, hand slapped by a Merkel who, having good cards in her hand, insists on playing as if the game was played with only forty cards, only four aces, and only twelve figure cards! As if the Americans were not printing aces (i.e. dollars) at full speed for decades and, to feel more confident, even many jokers (i.e. aircraft carriers, drones and other devilries as such)... I refer just to the United States that, good allies as they are, will never bomb us, but are slaughtering us with financial games so dirty as ‘financially correct’. If we really played with forty cards, in short if the finance really depended on real economy and the Euro was not orphan as I said before, Merkel would be correct because Europe has a really winning hand (even Spain has a good hand, and Italy has a very good hand). Let’s hope that the Latin Coup finally serves to overturn this table of cheats and re-launches the demand for a New world Economic Order”.*

39 Lords and seigniorage

"Flying pig", intervened Arianna, "I think it is much easier to control the currency from a monopolistic position than to control the real economy, but I find it incredible that very strong and authoritarian governments, like the ones of the past centuries were, at least compared to those of today, allowed to be stripped of the control of money by the banks."

"Very good argument!", agreed Giacomo. "Without engaging in conspiracy theories, I note that the culture, increasingly steeped in positivism and utilitarianism, is leading relentlessly in favour of the technicians at the expense of politicians. Yet one should recall the warning of the politician Clemenceau: 'War is too serious a matter to entrust to military'. This should be applied to money too. However the bankers play ever better games by pinning on politicians the responsibility of inflation that they themselves create and depict as the worst possible calamity for a nation. Their argument is seemingly flawless: one should not leave the control of money to the politicians because they would not use it for the real economy, but in a demagogic and clientelist manner, to grab citizens' votes".

"Where is this sermon coming from?...", snapped Davide, "especially if one thinks of today's self-styled technocrats! It's clear that we've fallen from frying pan into the fire! History shows that the greatest cause of inflation is war, which uses money for destructive purposes rather than productivity. Today wars are decided by bankers, or by other so called technocrats instead of the politicians, but the result does not change. Worst still, there is an undeclared war, in broad day light, led by financial speculators against the real economy, in other words against enterprises and families, and against governments who should be protecting the interests of both".

"Let me get this straight, because I still can't believe that a monarch gives up his seigniorage so easily... this is the real terminology for the control of money, isn't it?", resumed Arianna turning towards Giacomo.

Not only control, but also profit! When coins were made of precious metals, there was always a tendency to set a nominal value above the real cost of the metal and the minting. That

margin of profit was the prerogative of the Lord, (Seigneur in French) hence the word 'seigniorage'. The margin of profit increased a lot with the use of banknotes, and today, with the use of electrons, it is virtually 100% of the nominal value. Having clarified this, the answer to your question lays in the fact that the passage of the seigniorage from the politicians to the technocrats happened very gradually, with a sharing of spoils that satisfied both. At first the Central Banks were established, with technical management but under political control. Then the control slowly dissipated until separation took place formally (the so-called 'divorce' of Bank of Italy from Treasury came in 1981), but still with a close relation of mutual convenience in practice. As a matter of fact every central bank is autonomous in regulating the amount of national money, but must use a great deal of it to buy state bonds. Both are under the control of the 'market god', that in theory should counteract the excessive minting of money with the notorious 'cost of money', namely the fact that money is burdened by interest. In the final analysis, the governments are overruled and the banks are not at all contained because the cost of interests does not affect them but is discharged onto the shoulders of families and businesses. Today, as mentioned, 97% of money is created from thin air by ordinary banks that share the cake of the seigniorage with central banks, big business and political power. The net result is that from the monopoly of the Lord we have passed to the oligopoly of the subjects just mentioned. In short, what formerly was eaten by just one subject is today eaten by many, always to the detriment of families and enterprises that, moreover, are blamed in order to support the bluff".

"Cuckolded and clubbed! But there must be a way out..."

"Certainly: the effective exercise of power by the people, even on money that must be declared Common Good, like water⁴⁴. This requires a deep and capillary work of awareness and empowerment..."

⁴⁴ See chapter 54 to 56

40 Italy passed with top marks

“Flying pig!”, interjected Davide, “I have understood the overall context well. However you said that the Italian economy is strong. That’s not easy for me to believe...”

“Italy is in the eye of the storm for two reasons only: its public debt, which was brought through the roof after the fateful divorce of the Bank of Italy from the Treasury, and its poor political credibility. However, I refer to the macroeconomic fundamentals, namely our basic situation, the bedrock of the economy, everything that, apart from the unforeseen ups and downs, allows to assess the nation’s overall state of health, over a long period of time. Overall the Italian economy is deeply rooted within the territory, it has a healthy family imprint which, until recently, was considered a weakness while the exact opposite is in fact true because it guarantees maximum flexibility and resilience, in short the ability of recovery, even, and above all, in times of crisis. Let’s look at the pillars of our economy: agriculture is mostly carried out on a family basis; geographical isolation offers us some protection against possible ecological disasters, from nuclear to genetically modified crops; most of our businesses are small or medium sized, managed on artisanal criteria, second only to Germany in production; we have the world’s most important cultural heritage, beautiful sceneries and quality of living that everyone envies, and you must note that tourism is one of the few industries that cannot be relocated; 80% of families live in their own homes; alternative energy resources are plentiful and their exploitation can create many new jobs”...

“Agreed, but we have a suicidal cultural decline and a senseless policy that fuels family and social breakdown, impoverishment of schools and social services, a brain drain, neglect of historical centres with overbuilding and deterioration of neighbourhoods, humiliation of entrepreneurship, relocation of productive activities, neglect of the artistic heritage and landscape, barbarisation of the tourist industry by using hit and run methods, and many other woes that we all know. It is true that these are incidental defects that can be corrected, but they are becoming so chronic that I think they may turn permanent”.

“Such a risk unfortunately exists, but the core is healthy and it just depends on us to repent and roll up our sleeves. And what should we say about the basics of finance? Even on this sector Italy is substantially healthy, only that it is blocked by the straightjacket called the Euro. In spite of this, we are better off than many other Eurozone Nations: family savings are amongst the highest in the world; Italian banks are less engaged in toxic finance compared to the average in European and western countries; the real estate bubble hit us much less, and far less our families; our per capita gold reserves are among the most consistent in the world; the balance of our foreign trade is always positive and it would be even better with a sovereign Euro or by returning to the Lira”.

“Alright, but what do we do with the public debt, at least until the rest of the world converts to the neo-Keynesian theories?”

“Remember that our public debt is a problem because a large portion of it is foreign debt. It will remain a ball and chain, as long as we do like the Japanese, as long as we are governed by technocrats with blinkers, as long as we remain hypnotised by the globocrats’ psychological terrorism. However we have already clarified that, in a proper framework, available to whichever nation is really free and democratic, the much loathed public debt would be judged for what it is: a positive credit for both individual and collective development. In the righteous State the following equation applies: public debt is equal to private wealth. Maybe it is appropriate to explain better these claims that until now, to the ears of the most, sound blasphemous!”.

41 Monti's plane crashes

Giacomo was about to discharge another sermon, when an excited voice came from the radio: *"Excuse me! Sorry, director, for interrupting this programme, I have just received news that there has been a plane crash involving our premier Monti!"*

"We resume the broadcast and... regrettably... we can confirm this. At Ciampino airport the plane carrying Mario Monti veered off the runway and caught fire... it seems that it was an overshoot landing... The plane had just taken off but returned due to an unspecified electronic failure... It seems that in the wreckage there are some survivors, though it is dusk and everything is shrouded in a very dense black smoke... For the time being priority has been given to extinguishing the fire that is lapping one of the main fuel tanks..."

"Sorry, director, I have overheard that Monti has been taken into an ambulance, more dead than alive".

"We are checking... Dear listeners, stay with us either on our radio or TV channels, we are currently transmitting on unified channels and we'll give you all the updates as they come in... the fire brigade is risking their lives to put out the fire".

"If it is a long landing we should exclude an attempt on his life.... shouldn't we?", surmised Arianna.

"If it is an attempt, it should not look like one!", decreed Davide, as the others hushed each other to listen to the radio which continued giving excited announcements: "From the control tower we have received two conflicting versions for the reasons for the plane returning immediately after take off. Dear listeners, the news given to you earlier must be corrected: it has been confirmed that two severely injured people have been taken to hospital, however, they were not passengers who were thrown out of the plane on impact, but two cyclists who were run over while riding on a perimeter road... wait! Another news flash saying... an hostess speaking from the plane, saying that none of the pilots are giving signs of life... she can hear passengers coughing and shouting for help, but behind her she can only see lifeless passengers... she is pleading to act quickly because she also feels like she is suffocating... She asks to concentrate on the doors on the wings and tail, because the

front doors are trapped with the twisted metal and it seems impossible to open them... she begs to open a passage for air to flow in, and to shine lights... From the control tower we hear that the fire brigade must first extinguish all outbreaks of fires, or the fires could rekindle inside the cabin if the air passage is opened prematurely... It's terrible... the survivors could die at any moment, either suffocated or burnt alive..."

"One moment... an employee from the control tower is relaying the screams from inside the plane with his mobile".

"What scavengers", cried Ambra, "now we only need them to transmit the recording after the publicity". Meanwhile on the radio more ads were piling up:

"No, no sign of life in the cockpit..."

"The rear part of the fuselage is fairly intact, raised... a section of the left wing is at least twenty metres behind... the front part is crumpled on the left side..."

"The emergency landing is allegedly due to the failure of the landing gear to return to its place after take off, but this has little to do with the version of the overshoot landing, unless..."

"The fire-fighters are focusing on the right wing, where the engine is still in flames and the tank is at risk of exploding..."

Giacomo was talking to himself: "I always travel in economy class, in the rear seats that are more cramped and noisier, but I console myself thinking that those seats are safer... I'm afraid that Monti travels first class, in front..."

"Sorry to take the only solace away from you", said Davide, "I remember reading that the rear seats are the least safe".

In the meantime news came that the fire-fighters had opened the rear door, and were helping out some of the injured survivors. A little later the announcement came that they had opened another passage by enlarging a tear behind the front left door, and from that passage they had managed to take out the hostess and four surviving passengers, including Prime Minister Monti. The radio was in a constant flutter of news:

"How is Monti? Have you any news of his condition?..."

"Look, incredible confusion reigns here. The spotlights lighten the darkness of the night but cannot cut through the dense black smoke that is enveloping the accident..."

"They are trying to find survivors among the many dead..."

“Not so long ago an helicopter took off... They are saying that it is taking Monti to the Gemelli Policlinic”.

“Somebody is going to the Gemelli?”.

“I have picked up this: ‘multiple fractures to the chest, shock, critical conditions, but I’m not sure if this refers to Monti...”

Our friends were attached to the radio, hardly breathing. But the more time passed the more uncertainty grew, and with it the frustration of the listeners. Until Arianna broke the silence: *“We need another coffee!”*

“Good idea, who knows if this time we’ll understand a little bit more from the television!”, wondered Ambra. After a little while they stopped at a service area smaller than the previous one, with two groups of customers crowded around two screens, and they queued anxiously waiting. Finally the images appeared, jerkily but clear, chasing a stretcher which was disappearing behind the glass doors of the Accident and Emergency Unit of Gemelli. Among the correspondent’s excited announcements, overlapping calls of two commentators who were repeating the words ‘critical condition, multiple fractures, shock, internal bleeding’, and subtitles with little or no pertinent content that were flowing like mad, one could glimpse a pale and dazed Monti, but giving signs of life.

“Let’s hope that he can pull through and that this sign of destiny will make him stronger in his determination to commit his life to a very noble cause.” Said Giacomo as the screen showed once again the prime minister’s dazed expression.

“He must have lost his little comb in the plane”, chipped in Davide, receiving dirty looks of disapproval from the bystanders, while the three were dragging him to the bar, but he wasn’t giving up: *“the robots have no sense of humour because they are aligned to the conformism of the media and lack the wider knowledge. Instead we know, thanks also to your crash course”*. Turning towards Giacomo, he continued: *“So shortly we’ll again submit ourselves with good grace to your sermons”*.

They savoured their drinks and, noting that the screens were giving the same news again, they slowly made their way towards the car.

42 Less State more Market

“Turn it up slightly so we can hear in the background, if there is any news on Monti’s health,” asked Giacomo and resumed: “We were talking about 1971, when the illusion of a proper relationship between economy and finance ended. Before that, despite thousands of rip-offs and bullying, at least the principle that finance is subordinated to the economy was preserved. For the classical capitalists wealth consisted in farming, industries, mining and, for the enlighten, even in specialised and properly paid workforce. The American and north European Protestants, above all, looked with suspicion, if not with disdain, at financial speculation. All the great religions condemn usury, that is making money on money, as finance separated from the economy does. All serious political theories sustain economy and control finance. On the contrary, Reagan and Thatcher gave a deathblow with their deregulation, privatisations, with their slogan ‘less State more Market’. Reagan and Thatcher touched the bottom of the Anti politics, from then on we had only politickings idolising the market both from the right or the left, including Clinton and Blair who had won the elections opposing Reaganomics’ and ‘Thatcherism’. Clinton went further, in the last days of his mandate he abolished the law made by Roosevelt to separate the commercial banks from the financial ones, so it was he who smoothed the road towards the present crisis. At that time Giorgio Gaber sang: ‘liberal thought belongs to the right, now it is good even for the left’. What about the ‘cummunist’ Bersani and his cartload of privatisations? He continues to be proud even though, everyone sees, profits were privatised and losses socialised. Now one can understand why the motto ‘tell us something leftist’ by Nanni Moretti has become proverbial. Overall, after the fall of the Berlin wall, the West needed less to compete with communism on the welfare front. Only a few north European states hold on to this ideal, and have not surrendered their currencies to the euro. Then computers allowed finance to spread to the point that today the worst enemy of agro-industrial capitalism is financial capitalism, much worse than Karl Marx had observed in his time”.

43 Computerised counterfeiters

“Have a bit more patience,” continued Giacomo, “we'd better go deeper into this gap between economy and finance and define the role of the State in all this. The State has to give ample freedom to private enterprises, but must also contribute directly to infrastructure, essential services, environmental protection and the democratic control over all this. The heart of finance, that is the minting of currency, is a state prerogative, so much so that counterfeiters go straight to jail. However, apart from a few exceptions, today no State has control of its own currency because it has surrendered even that to the market. Remember that 97% of circulating money is created by banks. This situation has been clear since the eighties, but most parliaments gravely underestimated it, at most they patched up but in fact they renounced their sovereignty over the currency. In Great Britain a combative group of economists has proposed a draft law to bring the Pound Sterling back under state control, with huge benefits for all. On the legal level this is not a novelty, in fact the proposal does nothing more than applying even to electronic currency the laws that in the United Kingdom, as in all states, control the paper currency. That group calls itself “Positive Money” reacting to the aberration that today's currency, is issued by banks as a negative debt instead of a positive credit. Their proposal has been put forward by two MPs, one labour and one conservative, but the proposers know that they have to face a wall of ignorance and conformism from the fanatical idolaters of the market and those active in cover-ups paid by the globocrats. Unfortunately the problem is similar, in fact worst, at the global level where the weakness of the UN and its agencies, that has always been pushed by the strong nations to take advantage of the weaker ones, today allows a slender 1% of globocrats and their accomplices to squeeze at inhuman levels the remaining 99% of the world population, both in the poor nations and the rich ones”.

“Flying pig! Surrendering sovereignty over the currency seems to me unbelievable in itself, indeed scandalous. But can you better explain this matter of the money created from nothing, and of its value?”, asked Arianna.

“Apart from gold and silver coins, all the money was and is created from nothing or almost, if by nothing we mean the cost of paper and printing, and finally of the electrons of a computer, in relation to their nominal value. If money is minted by a State, it is offset by some real goods, be they only mountains, ice, geysers and three hundred thousand citizens with their houses, their boats and their factories. This is the case of Iceland which recently regained possession of its wealth, sent to hell the international globocrats cancelling scam debts, and jailed their Icelandic accomplices. A virtuous State not only owns some real wealth, but above all offers excellent guarantees for economic development. Do you know which States are always at the top of the rankings for reliability of investments, compiled by the capitalist elite? Norway, Sweden and other northern European nations, exactly the ones that implement with greater caution the liberal recipes, subjecting them to a rigorous public control and moderating the excesses with a widespread system of welfare. The currency of a sovereign State is easily anchored to the real wealth, therefore stable. On the contrary, when the currency is created by a private bank, and today with the game of Chinese boxes that bank could be a ghost, somebody creates money having only a risible level of real goods as support and even less solid guarantees to offer as perspective”.

“But the banks’ wealth, more than their own assets, consists in the sum of assets that each client has in their name and in perspective”, objected Davide.

“This is the point I wanted you to arrive at”, pressed Giacomo, *“It would be easy to quote Lehman Brothers with its triple A rating, but think only of the commercial banks and the system of incentives that we have talked about, which rewards speculation and penalises productive investments: here is the 97% of money which is increasingly less covered by real assets and evermore at risk in perspective! The structural vice of our monetary system is to charge even minimal interest on a currency made from nothing. In the past it was impossible to have more debts than money to repay them, today this is what is happening because we have a debit currency. Today usury is structural.*

44 The State is me!

“Can you explain it better? Is it for this reason that you blame the evil on the current monetary system?”, persisted Davide.

“Yes, and thank you, because your question allows me to clarify that the financial speculation and what we call usury are certainly loathsome and damaging, but they are accidents. They are less serious than the structural vice, whereby money is created in the form of a loan with interest. In fact we create the amount of money loaned, but not the money needed to pay the interest: so the debt is not extinguishable, mathematically. In the past, usury was an immoral choice within a basically good system, today it is the choice of a structurally perverse system. We shall have to return to this, but in the meantime I will have to explain once and for all the matter of the cart and the oxen, where the oxen are the economy and the cart is finance. In the pre capitalistic era, first came the economy, that is concrete assets, the oxen, then came the finance that is money, the cart, which simply eased the trading of existing goods. No one would think to build a ‘cart’ if a priori there was not a guarantee of possessing ‘oxen’ to pull it and assets to transport, so the money-cart could not be built from nothing, but one could amass it. With the classical capitalism, the accumulation of money, the capital, acquires increasing importance, even though firmly bound to the real economy. Human resources had very materialistic features, that differentiated little to the other assets: they mainly consisted of mechanical workforce and, child labour being usual, the ratio between investment (having a child and raising him) and performance (putting him to work) was not so out of phase in time, and with easily predictable results. Today instead, because of the scientific and technological progress, the most precious asset is know how, the knowledge of large and variously aggregating groups, this is an immaterial asset in continuous evolution. Therefore investment on human resources offers a much greater return, but much more deferred and of a less predictable entity. The same for research on new materials, products, manufacturing methods. So the State must advance in money a good portion of the future

wealth, instead of merely dosing out the money in the amount corresponding to the present real wealth. In short, economy and finance have been reversed in their time sequence. This would not be a problem if it was all under public scrutiny, as it should be by law and in a sound society. The State must exercise sovereignty and one of its privileges must be to issue money in a monopolistic regime, and with no interest. It creates it from nothing, in excess to the assets already present, but it must facilitate and guarantee that money is used only for productive purposes, so that retrospectively (mind you: retrospectively today, instead of in advance as it was in the past), the money is adequately covered by real assets. If we keep an eye on all those 'before-after', both in temporal and hierarchical order, and if we compare the present with the past state of affairs, we'll understand that the world has been truly overthrown. For this reason the criteria of common sense endorse misdiagnosis and counterproductive recipes. For this reason the globocrats have a good hand in cheating everybody, common people and even the ruling class: because they appeal to the common sense so we follow them to the abattoir convinced, meek or even grateful!"

"Flying pig!", intervened Davide, "As I understand, nowadays there would be more need of State, while they continue indoctrinating us with the slogan 'less State more Market?"

"OK, you think of the role of the State while I summarize past and present on two parallel scales:

1.1: in the past, economy came first followed by finance, first the oxen than the cart. Finance was subject to the economy not only in concept but also in practice, being tied on the availability of gold;

1.2: in the past, economy was both public and private, without any structural problems;

1.3: in the past, finance was both public and private, without any structural problems;

1.4: in the past, whoever issued more money than assets available was automatically issuing inflated currency;

1.5: in the past, one cured inflation by reducing the issue of new money (squeezing credit, cutting salaries, pensions, public services) and by confiscating the excess (new taxes).

2.1: nowadays there is no longer the bond of gold reserves. Nowadays finance comes first and economy follows, first the cart and then the oxen. This is not bad in itself, in fact it is necessary, inevitable, and this is why the financial flow must not be stopped for any reasons at all;

2.2: nowadays economy is more in private hands than public, without structural problems;

2.3: nowadays finance is nearly all in private hands, out of any effective democratic control, and this is a great problem;

2.4: nowadays who creates more money than assets owned can create economic progress without inflation (if he channels that money in productive investments) or economic regression (if he allows money to enter the speculation circle);

2.5: nowadays inflation must be prevented rather than cured, but not to the point of creating deflation with credit crunch and high taxes. In fact, there is need to guarantee a suitable flow of money in all cases and, at the same time, to check that money is not removed from productive investments for the multitude and rerouted by the few towards speculation or simple accumulation.

In a nutshell, today the absolute priority is to have Politics with a capital P, supported by effective democratic participation, that fights speculation on all levels. The South American States are trying to do so, both internally and internationally, with great advantage to their own populations. On the contrary, us Europeans and North Americans remain attached to the fetish of ultra liberalism, worsening all the time our crisis and the global one”.

“It’s like saying: the only thing we need today is that the politicians command the police to jail all the forgers and moneylenders!”, observed Davide, “This is a sensational discovery... we should establish a Nobel Prize for Politics!... At this point I don’t know whether to laugh or cry...”.

“Flying pig!” Ambra and Arianna repeated in quick succession, patting Davide on his shoulder.

“Flying... pig”, said Giacomo at first satisfied by the progress made by his relatives, then dampened observing the sad state of affairs in general.

45 The true cause of inflation

Ambra intervened: *“What you have said is so clear and logical, now I find incredible the position of our government and their economic advisors! The witty punch by Davide made me open my eyes. It seems to have caught the essence of the problems tied to inflation, that maybe you will explain better”.*

“You do it now, as Arianna has done it with the Great Depression”, suggested Giacomo.

“Oh, now you demand too much! She had prepared her topic at home”.

“However now everything is becoming clearer and consequent even for me. Now I believe that I could make some reasoning on inflation, but you do it”, urged Arianna supported by Davide. So Ambra accepted to try, while invoking the help of Giacomo, but he added: “It is better that you help each other. I will intervene only if necessary”.

“OK... I'll try through a similitude. Economy and finance must be like two communicating vases, balancing, namely the value of money that circulates must correspond to the value of the real assets. If there is too much money in respect to the assets we have inflation with increase in prices, if there is too little... well, if there is too little what do we have, deflation?... Then the prices decrease and that should be good to us...”.

“Yes, why is deflation not good?”, asked Davide.

“True... if prices fall our purchasing power increases”, added Arianna, “so what's the problem?”

“The problem lies in the fact that, although the purchasing power grows, the willingness of purchasing decreases: indeed I don't want to purchase today what I could pay less later on. So the goods remain unsold and the manufacturing will stagnate”, indicated Giacomo, then added: “That is why both inflation and deflation are negative, while the stability of prices is positive. In reality today we are creating a situation worst of all, that is stagflation, but I don't want to complicate your lives. Let me just remind you to differentiate the past from the present”.

“In the past... the economic processes were very slow... finance was tied to gold”, resumed Ambra always looking at

Giacomo who was punctually giving his approval. *"... so the equilibrium was threatened very little... right?"*

"Right, but what if there was inflation?", asked Arianna.

"If there was inflation... they had to reduce the money circulating... because one could not hope for a quick increase of production... as it could happen today".

"So they had to reduce public expenses and increase taxes, with all recipes of austerity", pressed Arianna, while Giacomo was chuckling satisfied. Arianna continued: *"How have things changed nowadays?"*.

"Today the economy grows rapidly, but finance grows much faster thanks to the computers... now first comes finance, then its economic corresponding, if speculation does not get across. So today the equilibrium is much less stable..."

A pause ensued, no one seemed willing to continue, so Giacomo prompted: *"Good, now don't get misled by the wrong behaviours, concentrate on the role of a virtuous State"*.

"A virtuous State... can leave to the private sector a good portion of the economy while acting as a mere controller... but must not delegate to private subjects the control of finance... it must not allow them... to create money from nothing, in exchange of nothing... to make money on money... to speculate, to make usury..., to cut the communication between the vase of finance and the vase of economy... In short, a virtuous state must not leave the economy at the mercy of the whims of finance".

"Great!", exclaimed Arianna, *"I have followed you perfectly and most of the time I guessed what you were about to say"*

"Very good, now try to better clarify the link between speculation and inflation", suggested Giacomo.

"May I try?", asked Arianna feeling buoyant, soon supported by Ambra who preferred to follow the reasoning from a more relaxed position. *"Speculation increases the circulation of money without any beneficial effects on the real economy, in fact... it removes money from productive investments... and reduces the purchase power of citizens, as in the example of the young couple who must pay more for a modest house..."*.

"Exactly. What happens instead if there is an effective democratic control, if one ensures that the currency, although

created from nothing, goes to productive investments?", proposed Giacomo.

"Money grows more and more, but even the real wealth grows... So there is no inflation, right?". Arianna was looking for Giacomo's approval, which came punctually: "Correct, in fact there would be more affordable prices, increased purchasing power for ever increasing people, higher productivity, full employment with less working hours, more time to devote to the family, to children education, to recreational and cultural hobbies, to material and spiritual advancement for all. In one word: all that enlightened sociologists, political scientists and economists have foreseen since the advent of the industrial revolution, and especially with the computer and robotic revolution. The bosses have always marked those forecasts as utopias, they have resisted and sabotaged so that those progresses would not happen, even more so that they continued to seem utopic! Lastly the globocrats have managed to reverse in their favour a procedure that had been going uninterrupted since the beginning of time, whereby the financial power remained subservient to political power. Of course, the two powers went hand in hand but if a crisis ensued, finance succumbed. For example the great Florentine and Lombard bankers, who had lent money to European sovereigns, went bankrupted all the time that those rulers decided to self discharge from debt. Today, instead, the great private bankers, with their global watchdogs IMF and WTO, push to bankruptcy states like Greece, and tighten the grip of increasing misery on the other states. We have to conclude that the sovereigns were protecting their interests (and indirectly the ones of their subjects) better than Obama and other premiers, including Merkel, protect their interests and the ones of their voters".

"Well done", said Giacomo, "but the structural problem of money as debt remains. If the state resumed monopoly on the currency, he would eliminate the counterfeiters, but, if he does not eliminate the debt-money, he would be the usurer! citizens should still work harder to repay the debt, and in any case an increasing number of them would be sentenced to bankruptcy, mathematically".

46 Inflation: counterproductive recipes

"I keep pinching my arms to assure myself that I am not having a nightmare" sighed Ambra.

"Of course!", noted bitterly Giacomo, "Now I hope that you finally understand why for some time I have tried pinching you, I wanted to wake you up from your hypnotic sleep, while you were protesting to be awake telling me that I was a dreamer, a hardened and incurable protester, as a self taught man who dared break into subjects as complicated as Economics and Finance"... He remained deep in his own thoughts, the silence of the other three somehow seemed to express involvement. Then continued: "Finally you are also breaking the ice. You have seen with your own eyes that the emperor is naked, and become aware that the economy and finance must no longer be taboo for the common people. So, with the renewed trust in yourselves, tell me now why the cure that has been applied since 2007 until now is fundamentally wrong, and in fact has had counterproductive effects."

"They applied the old formulas", began Davide confidently, "they tax us, they cut credits, they humiliate every sacrosanct endeavour like having a job, owning a house, raising a family... they hold back each initiative with alarming words like debt and inflation, as if caused by any kind of purchasing, instead they are caused only by speculation. Speculation is made by the wealthy, not the poor! Our politickings feel offended if we say that they are all the same, they counterattack saying that we are nobodies and we are anti-politicals, all of them, from the left or the right, repeat the same litany on public spending, they continue cutting salaries and pensions for all of us, but not their shameful sinecures and the ones of their accomplices".

"They insist on cuts on education and health, when instead we have seen that they are the most productive investments!" broke out Arianna.

"They have undersold state companies to private enterprises with the excuse that the public sector is wasteful", resumed Davide, "often this is partly true... But at least the public sector wastes in the right direction, while the private sector has changed direction. They bought public enterprises for a song

and now they are practicing pure and simple speculation... they make the stew: keeping the meat and giving us the bones.... If the public sector is wasteful, it has to be rectified like in Norway, not demolished...it is madness to throw the baby out with the bath water..."

"Davide is right: the public sector may be less efficient but at least it guarantees effectiveness, that is, money goes towards common progress. The private sector is more efficient for its own benefit, but is not effective for the community. So in the public sector inflation is a mishap, while in the private sector inflation is structural", observed Ambra hotly.

"Beware of generalising!", recommended Giacomo, "Many mayors lost public money speculating on toxic shares instead of repairing pavements and filling up the kindergartens. On the other hand, many private businessmen sought to defend their companies tooth and nail, and many resorted to suicide, unable to bear personal bankruptcy and putting their collaborators on the street..."

"Forced to lay staff off, probably because the wasteful Government does not pay its suppliers", Arianna laid on.

"Yes, sorry, you are right", Ambra reassured them, "In the excitement I oversimplified too much, and allowed myself to be trapped between 'public' and 'private' labels... So I will say it better that only a democratic control, really informed and systematic, can prevent inflation, guaranteeing that money, be it public or private, is spent in productive investments instead of speculation".

"Bingo!", exclaimed Giacomo while the other three bandied with each other: "Flying pig!", "Flying pig!"

47 I'll give you a fiscal paradise

Having finished congratulating each other, Giacomo said: *"Now hold tight because it seems we have to fire some final bangs, as you are adequately immunised. Let's talk about taxes: all governments say that they have to increase taxes to be able to pay for roads, schools and the whole of the welfare. Have you anything to say about this?"*

"One moment.. give us time to think..." implored Ambra.

"Earlier you said that taxes help to correct inflation by raking in excess money...", intervened Arianna, *"to all of us it seemed that that was clear and logical... but taxes are always paid, not only when there is a crisis..."*

"Perhaps inflation is a constant risk, so taxes serve to prevent it, as well as curing it...", added Davide thoughtfully.

"If in the past the state had the monopoly on the currency, why torment the citizens with taxes rather than print the necessary amount?" asked Ambra perplexed.

"It imposed taxes to avoid inflation, but we are returning to the starting point", noted Arianna, looking at Giacomo for help, who intervened: *"In the past all was tied to gold! Imagine a virtuous State of nowadays, which has full control of minting and use of the currency for exclusively productive purposes: what fiscal policy should a State like this make?"*

"Are you sure you are not expecting too much, now?"

"No, in fact, I ask you, Ambra, to expound the idea that you have just expressed, that is not as naive as it seemed".

"Well... let's see... earlier we said that today in a virtuous State the currency created from nothing is compensated... retrospectively... from the real assets that it allows to create thanks to scientific and technological progress".

"Fine! Arianna stated that the most productive investments are education and health, she is right, even though the fruits are gathered late and/or indirectly. Those fruits are there, I am speaking of real assets much more superior in value to the expenditure incurred for the schools or hospitals, so we have said that there will be no inflation".

"Maybe the difference is between who pays and who profits", said Davide, *"The State pays for my education, I make a patent"*

and pocket loads of money from royalties, above all the revenues from the invention are taxed very little..."

"So?", Giacomo urged him.

"So the State pays for me when I am studying, when I work, and when I produce".

"Does this create inflation?"

"We had said...no...", replied Davide hesitantly, then, lightening up: "It is just like that! Because others, exploiting my patent, make better or cheaper gadgets, and the real wealth offsets the expenses of the State for me. So, no inflation!"

"One moment please!", chimed Arianna, "Because at times it all seems clear to me and then immediately I lose myself in old and new doubts".

"Don't worry, it happens to all of us," Giacomo reassured, "because we are not trained to perform special mental gymnastics which consists in passing continuously from the detail to the general and vice versa. I am fairly well trained, thanks to the epidemiological studies, to their continuous practical application and the necessity to explain these things even in Tanzania, not using my own language and with trainees less educated than ours".

"Less educated but apparently more receptive than our politicians and economists!", observed Ambra leeringly.

"Just so. Moreover it is no mystery that prejudices are the worst obstacles of learning, much worse than a tabula rasa. Keynes used to repeat that his ideas were easy to understand but difficult to believe because of the prejudices rooted in the culture, above all in the schools of Economics where that culture was moulded and perpetuated".

"Yesterday as it is today", observed Davide, "it appears that even Keynes had problems with flying pigs".

"Today much worst than yesterday! That is why we have huge confusion, even at the highest levels: there are huge prejudices, however justified because they are based on good common sense, mistaken because in the meantime reality has overturned itself. The so called experts, instead of making clear for themselves and others the new concept, still reason with blinkers, all this is revived by the media who are dominated by the globocrats. There is widespread difficulty in performing

mental gymnastics from the detail to the general and vice versa, there is another aspect of reality which is nearly always ignored: that the total is greater than the simple sum of its parts, and different even qualitatively”.

“Well I wouldn’t say ignored: today all subjects, whether scientific or humanistic, feature an holistic vision of reality”, argued Ambra.

“True, but only partly. What passes through the media, what is imposed by the weapons of mass distraction? Unchecked individualism, selfish social climbing and short-sightedness, competition to the last penny: all attitudes diametrically opposed to an holistic, genuinely scientific, vision of reality, of the society, of the economy and of politics”.

“So we return to the eternal dialectic between being or appearing”, commented Arianna, “I would like to repeat the content of my doubt, that is what I now understand and a bit later will elude me anew: we agreed that, in a virtuous State, the real wealth compensates for the expenses of everyone, but really everyone? That is, I ask, the expenses for school buildings, for personnel, for the year of studies of the future scientist, for the years he spends to gain the patent, to pay all the rights of the patent and also to guarantee a decent salary for his colleagues who have patented nothing?”

Everyone was looking at Giacomo, who was turning to each one with the question with crafty glances.

“It seems... so...”, said Davide doubtfully.

“We would have said... yes”, noted Ambra.

“It seems so to me too!”, confirmed Arianna spreading her arms, “But then what are the taxes for?”.

“For nothing!”, observed Giacomo seraphically. “Certainly not to scrape up laboriously money that a State can mint from nothing with just a computer! In a virtuous State it would not be necessary to pay taxes! The virtuous State is the only lawful fiscal paradise!” He struggled to maintain an angelic expression as he looked at the disbelieving faces of his relatives.

48 The money from taxation? It gets destroyed!

Changing from angelic to serious, Giacomo continued: “You should know that money collected from taxes is destroyed, for real: if they are banknotes they are put through the document shredder⁴⁵, if they are computer numbers they are deleted. Like the cinema ticket: you pay for it, and then the usherette tears it in front of you! When they decide to build a road, the State does not take the money physically from the taxes, money it has already destroyed: they print new money with the computer! Since the time that gold is no longer used, taxation serves to compel the citizens to use the currency of the Sovereign Authority, not to gain money. To explain this, Warren Mosler provokes his audience in a very effective way: he exhibits four of his business cards and asks if anyone, to receive them, is prepared to work for him for a day. The public wavers, so Warren comes down the stage and offers it personally, maybe under spotlights and cameras, to the hapless chosen victim who babbles something. At that moment Warren gives a little help: he tells them that with three of his cards, anybody can get a free dinner for two at the restaurant X, as agreed with him, or other goods or services in similar establishments. The victim might ask what job he must perform, but his embarrassment persists, as the bewilderment of the public that cannot understand what Warren is trying to get to. Finally Warren clarifies the confusion by explaining that the four business cards serve as a pass, because at every exit of the hall where they are assembled there is a killer whom he has paid, who will kill anybody who tries to exit without the four cards. He then explains the fact that, as soon as he has ascertained who has the four cards, the killer is instructed to destroy one of the cards on the spot, so that it cannot be used improperly...

This scenario explains one characteristic of banknotes, if we think that they are the ‘business cards’ of a Sovereign Authority, it explains their function and that of taxes... Essentially, keep this point: the primary, essential, function of taxes, has always

⁴⁵ In Washington the real banknote strips, straight out of the document shredder and put into cellophane envelopes, are sold as souvenirs.

been to impose on the citizens the exclusive use of the sovereign currency. All the rest is ancillary, including the control of inflation, or totally preposterous, as the alleged necessity to rake in money to pay for public services. Those are secondary remedies, imperfect and unfair, because they rake in money from the workers to plug the holes made by the speculators. Those more or less misleading remedies are implemented by depraved States, while they do not have a place to be in a virtuous State. Therefore the only, true and legitimate fiscal paradises should be virtuous States”.

“Flying pig!”, exclaimed Davide, “What you are saying is quite clear, but I really cannot believe it!”

“Cheer up, I cannot fully believe it myself! Each one of us must work to earn money, money arrives only at the end of the month, not before having worked. Since we were little kids we had a piggy bank where one had to put pennies one by one, forgoing many little pleasures, to then have a good hoard to spend in other ways. Therefore we are all led to think that the system in its own entirety functioned in the same way, instead it works backwards: on monetary questions a State must not behave as the proverbial good family man. A State with sovereign currency must first spend, so that everyone can profit. Such a State must be in deficit if it wants to nourish the welfare of its families and investments of its enterprises.

To accept the possibility that things at the macro level function differently to the ones at micro level, it helps to know at least in broad terms the Systems Theory and to have the complete notion of holism: it’s true, as Ambra was saying, that many accept the idea that the total can be bigger than the sum of its parts, but this notion is incomplete since the majority remain anchored to the pure quantitative dimension, that is that two asses plus two asses can do (the work of) five asses, but do not go further, they do not even touch the idea that it could be five horses. Instead holism assumes the possibility of a jump in quality, an evolution, that the total could be different even in quality compared to its components, so that it can behave differently. Look, as example, the Mexican wave in stadiums: single persons rise to their feet and then sit back down, they only make vertical movements. If they do it in an untidy way, we

only see vertical movements. But if they do it in a particular chronological sequence, that shapeless mass evolves in an orderly system which results in a wave which moves in an horizontal direction. Mind you that wave is not a simple optical illusion: like the sea's wave, it has real mechanical effects, very much exploited in nature, for example to keep clean our bronchus or to allow us to digest food. The following, instead, is an example of a useful behaviour at micro level, that becomes counter productive at macro level: if a spectator, from seated rises to his feet, he may see better, but compels others to stand up, meaning that all are uncomfortable, in order to see more or less as they did before".

Giacomo became more serious and added: "At this point I must say one word in favour of the banks!"

"Well! Why don't you say that you enjoy putting us off course when we think we have reached a point of understanding?", blurted out Davide without hiding his disappointment. Giacomo continued: "Holism also applies to the banks: every single bank suffers more or less like other businesses, but the banking system draws huge advantages from the crisis. In fact whoever cannot pay the interest on his debt, will receive no further loans except for paying back the interest, by so doing they are paying interest on interest. This is compounding of interest and, although forbidden by law, today is common practice, in fact it affects States more than it does people. Italy is among the major victims of this, because every year our balance of payments, excluding interest, is positive so we are able to repay part of the primary debt. But our total debt grows evermore because of interest. Even if we made superhuman efforts to come out of this vicious circle, by so doing we would sink our weaker Mediterranean brothers even further, not to mention the even poorer states. Because the curse of debt-money is that there is never enough to extinguish the debts of everybody. So whoever saves himself automatically condemns someone else. The conclusion is that in past times the Jubilee by condoning debts was an ethical requirement, today it is a mathematical necessity".

49 The finance flows from the mouth to the source

Giacomo pressed on: *“In short, at the macro level, that is of state with sovereign currency, the financial flow runs upside down with respect to the micro level, of single subjects: the individual first has to earn in order to spend, while the State must first spend and then profit (by checking that everyone spends in a productive manner). It is as true and undisputable as it may seem absurd. Now let us see some paradoxes that follow in today’s practical life:*

If we all saved more, the quantity of money circulating would diminish and recession would worsen. This is what is happening, with the aggravating factor that the savings are not voluntary, but imposed by the ‘arsonist fire fighters’ in the form of cuts on expenses, and taxes, so the money saved does not remain in our pockets, but vanishes into thin air. If instead we increased our debt, we would pump more money into the system, the economy would restart (only to crash a bit later on, if we don’t ban all forms of speculation)...

If I pay up a mortgage I am wealthier, but in the bank a line of credit lapses, so the bank is poorer. If many clients did the same as me, the bank would go bankrupt and if many banks go bankrupt, in the current system that cedes to the banks the power to create currency, the money supply would shrink and we would go into recession.

I have just explained two examples of private virtue that translates into public vice. Why? Because the finance of the banks is a zero sum game: what one person profits from, inevitably, someone else loses from. In private finance, for each rich person you need a poor person, in fact thousands or even millions. In the finance of the Globocrats you do not get rich neither by saving nor paying back loans, but compelling others to save and pay back the loans as good sense and ethical codes demand. The good sense and ethics have evolved over thousands of years of good economy, a game of positive sum, where you really have to set aside wheat and nuts for the winter and return the ass you have borrowed so that you can get it back again in the future. Because we are used to reasoning at the micro level, the austerity policies seem necessary to

everyone, citizens and politicians, but in reality the crisis is at the macro level, where the policies of austerity are counter productive... Because of this the globocrats have an easy task of fooling all of us, by simply leveraging the good sense, but in the wrong context! The good sense belongs to 'Homo oeconomicus', a species that is risking extinction under the claws of the predator that has just emerged: 'Homo argentarius'...

With all that, the serious and imminent calamity is not our ignorance: it is the ignorance of our politicians and their advisors, and the dishonesty of the economists who are with the globocrats. Listen to what the experts of Positive Money say: 'When we hear our Prime Minister saying that we need an economy not based on debt, but on the savings, we note that he simply does not know what he is talking about. Under the circumstances and the knowledge all this is ridiculous'".

"Yet someone could ask if that premier is simply ignorant or whether he has his own interests to protect", observed Davide.

"In any case he is remote-controlled. In general one can easily understand why the Globocrats are so determined to dismantle national sovereignty: to prevent some governments, which had finally come to their senses, from still having the correct legal instruments and deciding to use them to overturn their diabolical machinations. From this point of view, forcing a balanced budget in the Constitution and ESM, the European Stability Mechanism, reveals all its Kafkian monstrosity".

Seeing dismayed faces, but attentive as never before, Giacomo continued: "Let's do some more mental gymnastics. Let's depart from the point that at the holistic, macro level, the virtuous State does not need to impose taxes to gather money, but must create money in the exclusive form of sovereign currency, distribute it through the banks and check that it is used exclusively for productive purposes, including bank services. In that virtuous State we'll see that the citizens, maybe initially unaware but then becoming more and more aware, are also virtuous: they have board and lodgings and other primary necessities guaranteed; health and social assistance that is adequate and free of charge and takes them from cradle to grave; they go to the kindergarten and then to

school free of charge; they spend a few hours doing light and rewarding jobs and obtaining more than sufficient rewards to pay for extra goods and recreational and cultural activities.

In appearance both the State and the citizens live like crickets, but everything works, there is full employment without danger of inflation and economic crisis. The citizen must first earn to be able to then spend, while the State must first spend so that everyone can earn. At the macro level the financial flow goes in the opposite direction to the one of the micro level: the finance of the citizen, a single drop, flows naturally as we all think it does, from the source to the mouth, while the current of the river-State flows from the mouth to the source. The virtuous politicians should well know this apparent contradiction, they should be conscious that it is their responsibility to make it work at macro level so that everything works, so that the interest of the single individuals and the one of the communities match”.

“You are proposing a model of a State that pays on trust, while here we are colliding with a real State that does not even pay the suppliers!” snapped Arianna, “We must conclude that they are all either idiots or act in bad faith?”.

“For the time being let us limit ourselves to reasoning and understanding, then each one will judge with their head”, replied Giacomo.

50 Maastricht: nomen, omen!

Giacomo continued: *“Here it is not a matter to give the States a scorecard, but to establish which is a State and which one is not. Well, the discriminating criterion is the issuing of its own currency. California is not a fully fledged State. The Vatican, the Principality of Monaco, that even before the euro coined only commemorative liras or francs, but not banknotes, they were not and are not fully fledged States. Likewise, the States that have signed the Maastricht treaty and entered the Eurozone have renounced to being fully fledged States. Daring an etymological operation that places the Hungarian word Maa (State) and the German verb stricht (you have abolished), I could say that Maastricht contains the name of its own destiny: nomen, omen. As for the rules of Maastricht, acknowledging an annual deficit of up to 3% of GDP means to recognise that the deficit of a State is physiological, not pathological. Furthermore, it seems that the 3% limit was chosen in an improvised way by Mitterrand with a few collaborators. That limit is tight, and is applied in a very rigid manner, preventing the states (with a small s) of the Eurozone to react adequately to the crisis.*

Warren Mosler has clear ideas about what is the right level of the deficit: he says that a State must always guarantee full employment, absorbing anyone looking for a job in a public ‘expansion vessel’, offering a decent wage in exchange for work useful to the community and/or the environment, or in exchange for professional retraining. From such a vessel, the private sector will draw from when the conditions get favourable again but, in times of crisis, the State must sustain such a cost anyway (take note that it is a deficit on the accountancy plan, but an investment on the economic plan). So, if you ask him what the maximum ceiling for the deficit acceptable to a State is, Warren replies without hesitating: ‘whatever is necessary to guarantee full employment!’ You understand that we are poles apart from Milton Friedman, the major consultant of Reagan, who maintained that a discrete rate of unemployment is a good and just thing... Maybe Friedman confused the interests of the civil society with those of the globocrats.”

51 Progressive rates = progressive injustice

The faces of the three, even though astray, were always attentive, showing an unimaginable strength until the previous day, so Giacomo continued: *"Now, for ease of study, let's take a real State, imperfect but leaning towards the virtuous model, small and consistent, such as Iceland is now, after its exemplary democratic revolution. The Icelanders are recovering and strengthening the welfare apparatus that the ultra-liberal clique was dismantling. Conscious of their imperfections, they will have to foresee some more or less physiological financial losses, so they will think of compensating for those losses with taxes. They will keep a mechanism of progressive taxation, probably enlarging the band of exemption for lower incomes with increasing rates for higher incomes, without ever arriving to the excesses that citizens of other States are more or less resigned to suffer, us Italians even more so. The only thing is that in a few years the Icelanders will realise that progressive taxation could be counterproductive for the progress of the society: in fact it drains the resources from the more productive bands (for itself and for all) and returns it in the community that utilises it 'on average well', that is less efficiently than the more taxed bands".*

"For God's sake! can we never find the key to the problem?", exclaimed Davide without hiding his own frustration, shared by the expression of the two women.

"Calm down, continue reasoning. What is the assumption of the progressive taxation?"

"That who earns more, the more he damages society, the more he steals!", exclaimed Davide without giving himself a second to think, but then he became more thoughtful, he added: *"Even though..."*

"Even though?", Giacomo encouraged him.

Even though taxes are paid by a person who is fundamentally honest... while the dishonest, be they small or big, they evade completely or evade a big portion of taxes". Then he added in a malicious manner, with renewed confidence in his main assumption: *"Yet the richer they are, the more savvy and better equipped they are, so it is right to tax them heavily!"*

He said it with such a tone that everyone laughed, while Davide, more pumped up than ever, was adding: *“Like in the Chinese proverb that recommends the husband to beat his wife when he gets home: he does not know why, but she does know!”*. After Davide had received the inevitable reproaches from his wife and sister-in-law, Giacomo said broodingly: *“Here we have the best splendour but even the maximum misery of capitalism and the liberal thoughts that are behind it. The best splendour because it extols the free creativity of the person against any state coercion, but also the maximum poverty because it greatly undervalues the gulf that the free will can reach if not checked by superior ethical demands, that attribute due priority to the common good, as unavoidable condition for the real good even of the single individual”*.

“Nothing new under the sun”, commented Ambra, *“all the mythology and Greek tragedy beat and retort on this fundamental truth. Were it only for this, the Germans should consider themselves eternal debtors of the Greeks... In fact, if Germany paid to Greece even 1% of the revenues it receives from their museums full of Greek archaeological pieces, the Greek debt would be lifted”*.

“Greek and Roman finds” hastily clarified Arianna. Then Giacomo continued: *“Returning to the Icelanders, now aiming to create a virtuous State or nearly, they will soon understand that taxes serve only to protect their new found financial and political sovereignty, while, from the economic point of view, are useless or actually counterproductive. The only true enemy, be it individual or collective, is speculation. To complete the reasoning, moving from a more imperfect State like Italy, I would like to suggest another similarity”*.

“Good, let’s hear it” said Ambra.

52 Citizens like fish out of the water

Giacomo continued: *"Italy is like a bucket full of water and fish, where the fish are the actors of the economy (families and enterprises), water is finance and the bucket is the country system. If Italy was virtuous it would need only the rain to keep the vital flow increasingly prosperous. However Italy has never been virtuous, the bucket is punctured, therefore it became necessary for a big tap (the State) with an extension pipe (banks) to pour added water into the bucket to compensate for the leakages from the holes. Up to twenty years ago that imperfect system worked relatively well, Italy continued growing. Here I'll spare you the complication of the orphaned currency, the Euro, but it will be inevitable to think about it again, I believe that now you are able to do it yourselves. Just now we have a problem even more urgent that is that the extension pipe has grown out of all proportion and has been riddled with holes, forcing the tap to work at full speed, up to the day that an unsustainable water bill arrived. At that point the politicians judged that there was a need to close the tap a little bit. But since the fish didn't want to hear this, someone sent some super expert professors who, having consulted their manuals, showed off their knowledge, they began turning off the tap with vigour to a greater extent as well, in fact, they advised that the tap should be changed to a much smaller one. They also ordered the fish, especially the small and medium ones, to place themselves in very tight ranks along the walls of the bucket and swim as fast as they could, because in this way, by very elaborate calculations, they would have pushed the water towards the middle and reduced the losses from the holes. To show that they were serious, the professor unleashed sharks with the order to tear unruly fish to pieces, oblivious to the fact that increasing numbers of fish were dying of asphyxiation due to the little water and the added efforts imposed on them".*

"I have always said that you are an analogical man!" exclaimed Ambra, *"this simile seems to me spot on".*

"It is awfully eloquent!", added Arianna.

“Really, not only because it illustrates the problem, but also lets you understand that the solutions proposed are counterproductive and stupid”, concluded Davide.

“I’m pleased that you appreciate the comparison, so you continue, without restarting to shield yourselves”, proposed Giacomo.

“Well”, began Davide, “it is clear to me that everything can be done except to let the fish die, so there is no point speaking about closing the tap”.

“Just a moment!”, chimed Arianna, “I believe that we have to examine all the alternatives and sort them in order of priority”.

“Priority for urgency or for importance?”, asked Ambra. After a quick discussion, it was agreed that probably there would have been a mixture of the two, that in any case practical feasibility, cost and acceptability of each alternative, would have weighed heavily so it was better to proceed without getting lost in too many fallacies.

“So, first of all, we have to reopen the tap”, decreed Davide.

“Before that I would allow the fish to breathe. Then, first stop squeezing the energy of the fish in such a cruel and counterproductive manner. Second, reopen the tap”, proposed Arianna convinced, while Davide and Ambra joined together.

“To me he who shouts for revenge in front of God is the huge perforated extension”, added Ambra, “What is there to prevent from shortening it to the bare minimum, keeping the good bit and throwing the rest away? Such a measure seems definitely urgent and relevant to me, not at all expensive, in fact perfectly acceptable to the fish, seeing that before they fared better”.

“There will be problems on the practical feasibility, since the extension has the tap and the fish as hostage and will not agree to be shortened so easily”, observed Davide.

“By hook or by crook, and as soon as possible, it will have to be done!”, insisted Ambra, “Otherwise all the fish will die, while the whole apparatus is justified only if it is at the service of the fish... It would be enough if the fish became aware that they are the 99%, hypnotized and enslaved by the ignorant and greedy 1%... The true problem is who will begin the revolution; let’s

hope that for real this is the repentant super expert... Whatever the case, I propose cutting the extension as third priority”.

“OK, let’s assume that the extension now is short and without holes”, said Giacomo, “What do we do next?”

“As fourth priority let’s seal the holes of the bucket, that is we repair them by soldering, not try to plug them with the dead fish!”, suggested firmly Ambra.

“Agreed, as a fifth priority a tap that’s a little smaller would not be bad”, suggested Arianna and specified: “A bit smaller but well regulated for the required needs”.

“Good”, said Giacomo with obvious satisfaction, “but now let me make a small clarification, that there are some lazy fish and others are sado-masochists that will pierce the bucket”.

“Those who pierce the bucket will be placed on the grill and roasted immediately!”, sentenced Davide.

“Don’t be so drastic!”, interrupted Arianna, “Certainly they deserve to be placed behind the bars of the grill, with a little water, so they can meditate on their wrongdoings”.

“So they will eat the bars and will return to eat the bucket... No, they have to be roasted! Or fried if you prefer. That type of fish is better fried!”. After having agreed that the outburst of Davide was only for the figurative world, they passed on to the lazy fish.

“Perhaps, in a healthier and disciplined system, even those fish will be tempted and helped to do something useful for themselves and the aquarium”, observed Ambra, immediately hounded by Davide: “And anyway, we can’t fry these and not fry the Piranha!”

“Let them go in peace, poor little infectors, it will not be them who ruin the aquarium”, said Ambra in support, “On the contrary, metaphorically, if the only true enemy is speculation, they are not really the poor wretches that speculate, so they have to be absolved!”

53 VAT refundable to all

Arianna was fiddling with the ventilation, when she said: "*Listen!*", turning up the volume of the radio. The broadcast was transmitting a further emergency decree, with immediate effect: "VAT is increased to 100%"...

"*Are they mad?*", burst out Davide, instantly silenced.

..."and will be reimbursed to the final consumer very quickly and with certainty"... For its application two executive decrees were enacted, the entire mechanism would be redefined before the end of the month. The citizens were urged to demand the fiscal receipt for every purchase and retain it carefully, together with the barcodes of each product. For the time being only a few essential items were excluded, like the food sold piecemeal directly from producer to consumer. As for buildings, a penalty was triggered for the new ones, that is: VAT of 100% non-reimbursable, and reimbursement of up to 150% of VAT for restructuring with energy improvements...

Now the deputy minister of finance Grilli was reading a communiqué, standing at the side of the hospital bed where Monti was constrained, however bright and participant. They were connected to President Napolitano and the Presidents of the Chambers. Grilli assured that within three months, and then on a monthly basis, every citizen could go to the bank or post office, hand over the receipts and be refunded the VAT up to a ceiling of a thousand euros for himself and every dependent. Due to the strict controls drawn up, the citizen must retain copies of the fiscal receipt with the attached barcode for the respective products. Even the companies could settle their VAT at their own bank monthly, by compiling the new formats attached to the decree. Finally, penalties were tightened for tax evaders, on the same lines already decreed for the bank workers, and with rigorous random checks.

The speaker concluded that a similar decree had been signed in Spain, Portugal and Ireland. The Greek president had convened all the party leaders to try to form a government with this point on the agenda: the VAT revolution. The French president in pectore, Hollande, had declared full support for this initiative and would implement it immediately in France if he had

won the ballot next week. He would also re-launch measures with resounding effects in favour of the real economy against financial speculation...

Our friends kept silent until the broadcast was repeated word by word. Meanwhile Arianna, along with the rest of the snaking traffic, had visibly slowed for no apparent reason, as if the drivers were too intent on listening to drive at the normal speed. Only when the radio was transmitting the same news for the third time, Giacomo exclaimed: *“Go, Monti! No one will stop you! You were really on the way to Damascus! Go, Europe!”*.

In the meantime Davide had started sounding the horn, despite Arianna’s resistance that she felt she was being disturbed in her driving, and an increasing number of motorists joined in with him. Soon after it was known that the trains and ships were joining the chorus, in all the States in question. For several hours from those shores of the planet radiated in the atmosphere a beam of sound waves as never verified before. Our friends were thrilled inside the little box that was slowly making its way home, but with renewed interior boost.

“Even though I don’t take in all the complexities, I understand that it is something very positive. It is understood by many little fish like me,” observed Ambra.

“It’s Columbus’ egg!”, assured Giacomo, *“It is Rubicon crossing! An electric shock that changes Europe and the whole world in an instant and for good! Meanwhile you will see in the next few days, if not hours, all the other States of the Eurozone, in fact the EU... what am I saying? Of Schengen! Will be made to toe the line of the VAT revolution. Schengen comprises even five non EU States: Switzerland, Norway, Iceland, Liechtenstein and a few Overseas Territories⁴⁶. They will all follow, one by one, like a domino branching on the whole planet, and all the other States, even if they only have a border with one of the Schengen countries, will have to comply quickly, or they will have to roll out the barbed wire at the frontiers if they want their citizens not to make purchases through their relatives and friends who live in the Schengen area”*.

⁴⁶ These are islands or small coastal strips, spread around the world, belonging to European States.

"Here we go again: the more a thing is clear and logical, the more it is revolutionary... Will we ever reach a reasonable and calm normality?", asked Arianna between doubt and hope, immediately caught off guard by Giacomo: *"Certainly, as soon as all us little fish will be aware that we are the 99% and won't sign blank proxies. So, in order not to be cheated anymore, let's resume immediately to reason on this VAT revolution... let's start by saying what the meaning of the acronym is"*.

"Value Added Tax", said the three in unison.

"Tax on what?".

"On the added value", confirmed Davide without hesitation.

"Explain it!".

"Well, the raw materials have a certain initial value, they then go through some work processes, and at every handling their price increases".

"What increases, the price or the value?".

"The price and also the value. Less, but it increases as well".

"Correct. What do we call an activity that adds real value to a concrete asset?".

"Oh my! It is a productive activity by definition!", chimed Ambra, *"we had come to the conclusion that every type of taxation on a productive activity is counterproductive and stupid. All this seems evermore diabolical!"*, she added as the other two were nodding their heads to express equal dismay.

"Precisely. Non refundable VAT is the epitome of fiscal sadomasochism. So the move by the Latin coup plotters strikes at the heart of the old system, it has a tremendous effect. The most important thing, it has symbolic meaning and an unequalled educational impact".

"This will also serve, above all, to awaken the knowledge of the 99% of the citizens, right?".

"But also the impact on the financial and economic system, the quantity and quality of the practical consequences are shocking! Take courage, think about it!".

"With this reform the water will be pumped directly to each little fish, exactly what we had put in the first place among the things we had to do: finally the families and enterprises have that breath of fresh air that they badly needed, and what a

mouthful: one thousand euros per person! The consumption will take off like a rocket!"

"Watch out! The thousand fiscal euros of the new trend correspond in reality to two hundred and ten euros of today, at the top ceiling. In any case it is a big fill of liquidity, strictly countercyclical, in short a countertrend in respect of previous recipes which were procyclical, depressive".

"Can you better explain why only two hundred and ten euros are saved?", asked Arianna, immediately harassed by Giacomo.

"Do it yourself, bearing in mind that VAT was at 21%, and without being distracted from the jump to 100%, but concentrating on the true revolution, that it is refunded to the final consumer".

"Oh, yes, I understand! VAT was taking 21% from the financial resources of the families and an intermediate percentage to the enterprises. Now VAT increases to 100% but each citizen will be able to retrieve up to a ceiling of a thousand euros per month, which corresponds to two hundred euros from before. The enterprises can retrieve it much more promptly, each to the quota of its competence".

"Correct, I was also reasoning more or less in the same terms", noted Ambra, "but I am stumbling on another flying pig. In fact it all seems simple and clear, once I have accepted the idea that the State must not penalize the productive activities, in fact it has to support and encourage them... at the same time half of my brain continues to wonder where the State will get the money that it is not getting from VAT... The other half replies that the State can print them or digitalise them without problems, I am rather unsettled".

"It is all healthy mental gymnastics, don't worry!", Giacomo encouraged her, "tonight you will sleep on it, in the next few days, while you are going through your routine, you will see that the gymnastics continues by itself, simply keep your mind clear from the misleading refrains of the media".

"Yeah, you are quick to say that... wait... now I don't know anymore which half of my brain is asking me if it would not have been better to abolish it altogether, that blessed VAT".

54 Want to control? Put into debt!

“Yeah”, echoed Davide, “at this point why not abolish VAT, saving people time, effort, and the fear of making mistakes and incurring severe penalties? Why pay to then be reimbursed, to get the money after three months what one can save pronto, by simply eliminating this stupid tax? What type of work will be loaded on the shoulders of the bank... and for what?”.

“So that finally the banks will work for something good and stop screwing us!”, retorted quick as lightning Giacomo, then continued: *“No, I’m joking! Just think of this blessed VAT: not only will they keep it but they are increasing it fivefold! This thing must have sense in another direction. Do you remember the prime function of every tax?”.*

“To impose the use of the sovereign currency”, said Ambra, reciting diligently the lesson learned just before.

“Correct, and the other side of the same coin, that I had not mentioned because it was implied, is to keep every economic activity under control”.

“Certainly, it is implied: to get payments from taxes we must have censuses and complete up to date registers, and improve the techniques to flush out tax evaders”, noted Davide.

“That is why they put it at 100% refundable, with severe penalties for the dodgers!”, cried Arianna, *“So that no one will accept to moonlight, all the black economy will have to be legalised rapidly”.*

“It’ll be a terrible blow to the mafia gangs!”, observed Davide. *“The American tax authorities jailed Al Capone for tax evasion, today Monti, with one fiscal move, can trap Mafia, Ndrangheta, Camorra, and Sacra Corona Unita!”.*

“And every little Mafioso hiding in each one of us”, concluded Ambra, while Giacomo applauded: *“Excellent! You are arriving at the heart of the political problem, which is control! You have concluded that all this toil for VAT, useless from the point of view of state funding, is worth it on specifically political grounds, because it will give a thorough radiography of all the healthy functions of society. This will allow to better sustain these functions and, on the contrary, to unearth with ease and suppress the residue of the non productive and /or criminal*

elements which haven't yet been removed by the social antibodies that are stimulated in an appropriate manner".

"Flying pig!", persisted Arianna, "It is all clear now! But my mind refuses to imagine what the use of VAT was before: without refunding the final consumer the function of social self control came to naught, only the honest people were taxed! I must conclude that, whereas in times gone by the monarchs brought fear with the sword, the modern bosses, not been allowed to use open violence, employed the incomplete VAT system, a real theft to the detriment of honest workers and consumers, as anti-economical as it is swamped by financial pseudo-science".

"What you are observing for VAT applies more generally for debt: in the past people were enslaved either by war or by debt. Nowadays we use war only in a few selected cases, officially 'to export democracy', but at the same time debt is used to control and enslave the whole of humanity! Debt and taxes: that's all disguised violence, structurally directed against honest people. In fact what can be seen is taxable, but what is done by the light of the day is legitimate and productive, so it should not be taxed. On the contrary, what in the past was plotted in the dark, and today is cloaked in legality, that is all forms of speculation, should be simply forbidden, and severely punished. Do you understand how subtle and perverse a certain type of Power is today, it is self gratifying because it is civil and democratic and has substituted the sword with debt: actually debt hits the many honest, whereas the sword should strike the few crafty ones. Listen to what Jean Ziegler was writing ten years ago: 'In a few decades the men who today have enslaved the Planet will be held accountable in a new Nuremberg. In fact the Nazis struck at specific groups of human beings, while the neo-liberal predators strike at the whole humanity'.

But let us go a bit deeper: even the most enlighten Statesman must guarantee control at all levels: individual, national, worldwide. We must realise that to date no instrument has proved more efficient at achieving this than indebtedness. We aspire to something that is also effective, that is positive for the development of every person and community.

55 If I was the Vatican's Mint

Once again the arguments of our friends were cut short, while at the same time corroborated and re-launched by the radio: *"Dear listeners, we have a connection with the Vatican, which appears to endorse very seriously the financial revolution launched by Italy and Spain. Is it so, Raffaella?"*

"Yes, that's right, in fact even more than that. Federico Lombardi, the Pope's spokesman, has convened a press conference, at the highest international level, at 11 a.m. tomorrow; meanwhile he has accepted to give us a preview, this is in itself revolutionary".

"Good, what can you tell us in this regard?"

"Lombardi has reported that, from midnight yesterday, the Scudo Pontificio was back in force on all territories governed by the Holy See. We asked what is changing with respect to before, Lombardi responded verbatim: 'Nothing, in the short term'. So a colleague asked: 'what about in the long term?'. To which he replied that the Scudo regulates domestic trade, while the euro will continue to be used for external relations. He then clarified that the Holy See has denounced the monetary agreement in force with the Italian State and ECB, declaring that they were ready to negotiate for its revision immediately, in the interest of their respective populations".

"It is striking that the Holy See, that is, the government of the last absolute monarchy remaining on earth, and practically without any inhabitants, makes reference to the interest of the population... It is like saying that the other states that declare themselves democratic have a guilty conscience. Apart from this, it is evident that the Holy See wants to free itself from international constraints, dealing under the protection of the Scudo Pontificio.

"This is what we raised several times, but Lombardi was continuously rejecting, saying that any treaty, if contrary to the welfare of the persons, is unfair and must be rectified at the earliest opportunity. Wait, there is more. We asked if the Vatican had implemented the VAT revolution and he replied: 'That is the natural order'. A colleague urged him on, observing that the fiscal policies of the Vatican go hand in hand with those

of the Italian State, but the spokesman pointed to the natural order, as it has been laid down by God and interpreted in the social doctrine of the Church, to which order every law and human convention must abide”.

“So it’s like saying that even the VAT revolution is blessed by the Church and God?”.

“I report verbatim: ‘the VAT is only one aspect of the Holy See’s complete overhaul of its monetary discipline, which will have to put into practice the principle of universal destination of the natural goods’. He added that the Pope is confident he will find a full agreement with other governments, thanks to the support of people of every race and creed”.

“Have you been able to obtain a preview of other concrete points?”.

“Lombardi suggested that we are going towards the practical implementation of what has been theorised in many Church documents, from Rerum Novarum to Populorum Progressio, from Quadragesimo Anno to Sollicitudo Rei Socialis, and, I cite literally, ‘even in relevant contributions from the devout laity’. Here he cited a plan placed on the tomb of father Pio by a very devout lay person, a noted lawyer with whom Ratzinger had already been in close contact before becoming Pope: professor Giacinto Auriti, who died six years ago”.

“Auriti... this name doesn’t mean a thing to me... head office, can we find something quickly?”.

“While you are looking for information, I’ll tell you in advance what a colleague remembered: that a lawyer, and he thinks he was called Auriti, had sued the heads of the Bank of Italy about ten years ago, accusing them of embezzlement of money. To this Lombardi said that the Pope is interested in the positive and authentic Christian announcement contained in the theories of the professor, rather than the allegations he made, however coherent and legally watertight, because the money must be recognized to be common good”.

“How is it that we don’t know anything, apart from remembering some judicial skirmishes?”.

“I think the listeners will side with me here: it seems evident that, in financial policy, the notoriety of the characters is too often inversely proportional to their intellectual honesty”.

"Ok that's what you say... you can afford to say this because you are young and without career prospects... Ah, here you are, Giovanna, have you found something?"

"Yes, there is plenty on the internet⁴⁷. You find also the greetings that cardinal Ratzinger made to Auriti, for the New Year in 2003, recognising that his monetary reform was perfectly in line with the social doctrine of the Church".

"Can you give us some highlights from Auriti proposals?"

"Here you go... some quotes: 'Wealth is made by the people and belongs to the people, so does the currency. Nevertheless, the banks, instead of crediting the money to the citizens as a measure of their wealth, they charge them'... 'Just like a pen has a value because it is expected to write, so money has value because it is expected to buy things'... 'The value is created not by he who issues the money, not by the banks, but led by who accepts it, that is, the population'... 'Usury is a venial sin: the mortal sin is usury at 200% that the banks apply for converting non gold currency, that is their own debt into their own credit'... 'The real credit is the one certified by a promissory note, which, in fact expires with the payment. Instead money continues to circulate, indebting the population and their governments more and more while enriching the banks'... 'The banking system, instead of being paid by us for the mere service of sorting our banknotes to our advantage, in fact has appropriated the currency which, by right, belongs to us'..."

"That's enough, for heaven's sake! It seems that the whole financial system is really perverted, down to its foundations!"

"The professor traces the original sin back to 1694, the year the Bank of England was founded. In two consecutive legislative sittings, he was able to present a draft law that gives back to the people the sovereignty over the currency⁴⁸".

"A proposal that was never discussed, I suppose".

"Correct... I have also found an article on the monthly 'Living Church' of Brescia that refers to the practical implementation of 'People's Money' at Guardiagrele, Auriti's birthplace in Abruzzo.

⁴⁷ <http://www.simec.org/sim/index.php/traduzioni-dal-sito/testi-inglesi>

⁴⁸ http://legxv.camera.it/_dati/lavori/schedela/apriTelecomando_wai.asp?codice=15PDL0002550

It says that the professor's SIMEC (Econometric Symbol of Induced Value) was perfectly in line with the dictates of our Constitution, in addition to the social doctrine of the Church. It says that SIMEC had doubled the people's purchasing power, but was stifled by unlawful reprisals".

"Are we the victims of collective hallucinations, or something?"

"Well... I could cite more from Auriti: 'The more difficult items to note are the obvious ones, like your moustache, that you don't see because it is under your nose'... Returning to the press conference, someone asked what would be the Scudo-Euro exchange rate. Lombardi said that it would be 1 to 1 and added, as if talking of obvious things, the Scudo would depreciate every year, 'like radioactive substances that decay by a certain amount every year', he said..."

"What? Are you sure that you understood correctly?"

"Certainly, we hammered him with questions, he noted that money is evil because it is immortal, so it is a good and just thing that money rusts'. Anyway, for technical details he has referred us to the press conference. Finally he announced that on 21st September a Consensus Conference will be held at the Vatican, that all the heads of States and the directors of competent international agencies will be invited. The conference will be facilitated by eminent monetarists and will be entitled: 'If I was the Vatican Mint'..."

"Incredible! Let me translate in simple terms, for the benefit of the listeners: the Pope says that his monetary revolution is inspired by the leading scholars who are contesting the current system. He says that the scholars, in a little over three months, will be assembled at the Vatican, in theory to expound their ideas of how to run the monetary policy of that micro-state, but practically to teach the rest of the world what to do. Incredible!"

"Here is the final gem, director. Escaping from our siege, Lombardi cut us short and said goodbye... but on exiting he noted that 21 September is the feast of St Matthew the Evangelist. Then, with a subtle grin, he added: 'patron saint of the bankers... they will need him!' "

56 Basic Annuity from Cradle to Grave

"Flying-pig! All this seems incredible, now what will happen?", asked Arianna with a voice exuding hope.

"Let's wait for the press conference", echoed Davide, accustomed as he was to relying on the official declarations, his voice also exuding confident hope.

"Well, we have got substantial previews!", persisted Ambra and, turning towards her husband, added: *"I know you are dying to ask us questions, but we are tired and nearly home, so it would be nice if you summarised, emphasising the fundamental aspects of these developments"*.

The in-laws approved and Giacomo resumed: *"You must agree that the fundamental point is the clear assertion of peoples' sovereignty, not only as a principle but above all on the practical ground. What is more practical, daily and incisive than money? Up to now we have many theories and some positive applications with local money, but it is the first time in history that a sovereign State officially embraces this approach. It does not surprise me that a small, easily managed, state acted, in fact I am expecting more little states like San Marino and Monaco to follow suite without waiting until September, seeing that they have all the necessary autonomy and all the convenience to do so. But the Vatican has a role in moral guidance for a large share of the usurer western world, and I am pleased that the Pope has put forward, immediately, the whole weight of his spiritual leadership. In fact it will act as a powerful icebreaker and will open the way for a quick cultural change, without which even the better managed attempts would be quickly smothered by the reaction of the globocrats, so clever in manipulating their lackey politicians and opportunistic journalists, in hypnotising the crowds and passing off as rescue what instead is a collective suicide"*.

"Do you believe that Lombardi was alluding to this when he spoke of the collaborating governments with the staunch support of their populations?", asked Arianna.

"It would surprise me if it was the opposite! The Vatican's diplomacy has refined itself for two millennia, they know that governments are more and more like streamers, they know

exactly how to admonish and, if need be, threaten, with a smile on their lips. Also, in a small state the gap between state and citizens is not as large as in the big states. Here one can understand why, between the scholars who recognise the popular sovereignty over the currency, the majority admit that such sovereignty is mediated by the state, while some propose that it is carried out in a direct way, like the Canadian Paul Grignon, of whom I'll speak soon, and I bet you that he is one of the Vatican advisors. To understand the theoretical basis, consider the 'Citizenship Income' paid in nearly all the states of the EU. Those are temporary subsidies, restricted to few weak groups, indeed social assistance which deepens the gap between citizens of class A and class B. Instead, putting together Auriti and Grignon with Gesell⁴⁹, Bellia⁵⁰ and a few others, I am in favour of a radical solution, that is a life annuity, from the cradle to the grave, payable to all. I call it 'Citizenship Life Annuity' to distinguish it, even semantically, from Citizenship Income. In fact the annuity is enjoyed based on a particular status or privilege: here it is the status of Human Being. Each human being is co-owner not only of the natural resources, but even of everything that humanity has added to the world up to now, like the wheel and the writing, so every man has the right to collect a dividend, a fee from who exploits them. Instead, the income is distributed only among those who create it. Now is not the time to distract ourselves with the historical injustice of those distributions, not even with the fact that the fiat money, separated from the real economy, is bringing such injustice above all tolerable limits. Now let's concentrate on two points. First: ensuring that the development tied to income does not reduce the natural resources and their capacity to renew, otherwise the income would strangle the annuity and, consequently, itself. Second: that the annuity is effectively enjoyed by every human being".

"I understand! Put in this way, it is obvious that every person has the right to the Citizenship Life Annuity", noted Arianna.

⁴⁹ <http://userpage.fu-berlin.de/~roehrigw/onken/engl.htm>

⁵⁰ <http://www.bellia2.com/index2.htm>

"Right, without interfering with the current income arrangements", added Davide.

"For me it is nice to note that the Citizenship Life Annuity belongs by right, not as a concession by charity", exclaimed Ambra beaming.

"Are we certain that a universal annuity will not lower in any additional income, that is as desirable to many people as useful for the advancement of the community?", resumed Davide.

"Come on, you reply!", prompted Giacomo smugly.

"Maybe...", pondered aloud Ambra, "so man would be finally freed from the bondage of work... work will be an expression of free creativity, instead of being an alienating task. There would be a definite profit in quality, probably a loss in quantity, but it would entail an additional advantage to break the vicious circle between overproduction and consumerism".

"Instead of living to eat and consume more and more, we would return to eating to live, according to the teachings of great spiritual leaders", added Arianna.

"Are the proposals of the scholars that you have just cited really feasible?", asked Davide, always worried not to give in to an easy illusion and to keep his feet well rooted to the ground.

"Sure!", countered Giacomo, "so much so that they even convinced the Vatican that certainly is not renowned for being a daredevil institution. The Pope knows that Auriti was neither defeated on the theoretical plans nor on the practical ground, but only by the boycott of the strong powers. We cannot make acts of faith, so I ask you to master these ideas by yourselves, starting from what we have heard and said up to now. Anyway, to reassure Davide, I will say something more on Bellia's proposal and the School of Anthropocracy that develops the economic thought of Rudolf Steiner: since taxes mostly burden the economy, they make the proposal, which would be obvious if we were not all hypnotised, to move taxation from the real economy to the money. Beware: I said money, not finance! In fact all attempts to tax the financial operations meet with fierce resistance. Just think of the Tobin tax that, after decades of obstructions, is introduced now in a laughable measure, in fact counterproductive, because it strikes the long term operations more than the ones that are finished during the day, in short it

penalises those who make investments more than those who speculate! The anthropocratic proposal has the advantage of pleasing everyone in the short term, because by eliminating the current taxes, it doubles the purchasing power of all, rich and poor. But in the long term, through a monetary curtailment of about 8% yearly, it gathers the excess money, which is only in the computers of the rich, while the poor remain above a dignified threshold thanks to the citizenship life annuity, to honest work, and, I add, by recovering VAT. The State, very light, has enough to pay the citizenship life annuity and a few essential services, while the bulk of the services and production are guaranteed, at a very high level of quality, exactly from the free enterprise of many people who work a few hours daily just for the sheer creative taste, and obtain a fair income, neither excessive nor debasing. Two words on the proposal of Grignon ⁵¹: each producer issues his own share of electronic money, the Digital Coin, totally free of debt and inflation because it measures the goods and/or services of that producer, at the same time fluctuating based on the dynamics of the market (real goods, not shares or currencies). Being paid at maturity, the Digital Coin acts like a promissory note, which is right. Also, being compared to a unit of standard measure, and virtual, the money is supranational, less prone to the bullying of the wolves on the sheep, like the example of Reagan and Nyerere. Indeed the citizens of the poor countries, where there is no adequate computerisation, have little access to the Digital Coin, but their government have it and so much would be enough to redress the international relations, basing them on the real wealth. Finally, look at the Bitcoin ⁵² that promises to resolve the problem of seigniorage: it is discarded by banks and governments, but it is spreading across the world. The bitcoin is not created but, like gold, is extracted from the bowels of mathematics, through crypto-graphic calculations, by networks of 'cyber miners', which even you can join with your PC".

With an evil smirk, Giacomo gazed at the incredulous faces of his relatives and then articulated: **“Fly-ing – pig”**

⁵¹ <http://paulgrignon.netfirms.com/MoneyasDebt/>

⁵² www.bitcoin.org

57 High Fashion unsheathes their nails

No one breathed. Giacomo remained thoughtful, then all of a sudden asked Arianna: *"The firm where your daughter works, do they still have that competition for sustainability... The one that Miriam took part in last year with a project to improve the production of a women's cooperative in Tanzania?"*

"Yes. It's an internal competition of the French multinational which brings together many leading names of high fashion. Miriam is happy to work there because they invest not only on the quality of their products, but also on the quality of life for those who work with them, and the environment"

"True, I remember that they encourage creativity, they use computers extensively and favour innovations in all fields, including the financial one... even though... I think... they have not produced great innovation... on the financial front"

"Come on, spill the beans!"

"I think that, standing on one of the most advanced and illuminated frontiers of industrial capitalism, they themselves could start the comeback against the predatory finance"

"What are you proposing in practice? It seems that they too are suffering a lot from the hold of the banks"

"Precisely! I'll speak to Miriam and she will have to speak to her superiors. Probably they'll think we're lunatics but, if they are open to real financial innovation as they are in other fronts, they will reach Sustainability with a capital S! With their PCs they can become their own bankers without breaking the rules in force. Their suppliers and clients would be happy to pay with electronic bills, guaranteed by their respective products, and that financial circle would be tied to the real economy"

"That's right: it will be up to the industrial capitalism to refit the leash on financial capitalism. I guess why my daughter's employers intrigue you. Explain better"

"No, don't ask me more. For the operational details they will have to do a very accurate job, it will need a launch by masters of marketing, as they are. It's like saying: sharpen their nails, and embellish them with an irresistible nail varnish too"

58 The Happy Growth

A long silence followed, while each one compared the liberating perspectives with the dismal reality, pondering on the momentous guilt of the arrogant western culture and the misfortunes that it is attracting on itself and its children, as well as the usual victims, the poor Nations. Finally Ambra broke the gloomy atmosphere: *"The neo-liberals and the politicians will pay, as they should. Too many times though, we have seen the old avengers turning into the new oppressors. How will we avoid the spiral of exploitation by man on man?"*

"Until such time as 1% carries out justice on another 1%, I'm afraid that we'll remain fastened to that spiral. Only when the 99% will acquire full knowledge and exercise vigilant involvement in the management of public affairs, can we say that we have embarked steadily on the road of Natural Humanism, where man exercises nothing more and nothing less than the role that falls to him in nature".

"What is the natural role of man?", chimed Ambra, *"Dante, who is the forerunner of Humanism, says that man, with his creative work, has the duty to continue the work of Mother Nature, who in turn continues God's work. Dante says that Nature is God's 'daughter', while human work is the 'grandchild' of God. He states this right in the canto where he places the moneylenders in the deepest part of the Inferno, because they use brain and money fraudulently, destructively, instead of creatively. If you were looking for an advocate for full employment and environment conservation, a supporter for Natural Humanism, I think that Dante would be the answer!"*, concluded Ambra, with the excitement that pervades her every time that she finds a new update for the Divine Comedy.

"These views are very engaging, but won't we risk falling again in the old proposal, already discredited, of the 'Good Savage', or in the recent, unexciting one, of Happy Degrowth⁵³?", asked Arianna addressing Giacomo: *"Yourself, when you lash out against consumerism, you seem to be part of that movement, but you point out to differ"*.

⁵³ <http://www.degrowth.org/>

"I agree with a large part of their ideas: I criticise the obsession with quantitative growth; the mad production of refuse and the missed recovery; clothes disused after being worn a few times; the hours, fuel and health burnt in queues; the thousand false needs induced by publicity. Not to talk about food and medicines thrown away daily and many physiological situations, like pregnancy and osteoporosis of the elderly, that are turned into illnesses to profit from the false sanitary needs of billions of people. I give net priority to quality over quantity, to value over price, to being over having... But I don't agree with two fundamental points: on the limited effect that the Degrowth heralds assign to Entropy⁵⁴ and on the name 'Degrowth'. In fact Entropy is valid for the Solar System until it will be reduced to a Black Hole; after that... no one knows. But in the solar system there is another system, the planet Earth with its Biosphere, where the law of Entropy suffers countless exceptions, small and great: each living organism is a victory over chaos, each ecosystem is a much more extensive and sustainable victory, the Earth itself, if classified as a super organism and better identified with the name Gaia⁵⁵, is an even bigger victory. Gaia is living witness to the fact that, from the appearance of the most elementary form of life until that of Homo sapiens without its declining consumerism, we have had three and a half billion years of happy growth, guaranteed by the solar energy which is inexhaustible, and the complete recycling of matter, because the refuse of one species is used by another. Though it has had highs and lows, it has been a true and undoubtedly happy growth, in the etymological sense of 'fecund'. Instead, with consumerism, and worst still with financial capitalism, we have an infertile, tumoral, deadly, unhappy, growth. Note that life follows cyclical rhythms, that are self renewing, while the tumour and the classic money follow a linear pattern, of pure

⁵⁴ The cosmos would be condemned to a "thermic death" and to the inexorable decay of matter, from tidy and complex forms to untidy and simple ones. According to the main supporters of the "Degrowth" theory, this implicates the decrease of energy resources and raw materials: which in the present consumerist system is forthcoming, but not necessarily true for other systems.

⁵⁵ <http://www.gaiatheory.org/overview/>

accumulation, up to the inevitable collapse. Linear is the positivist and liberal thought, with its illusion of ever-growing GNP... In conclusion, the remedy to this quantitative tumour growth can only be the restoration of qualitative growth⁵⁶, therefore to call it 'Degrowth' is an error. From a marketing point of view, the advantage of using such a provocative term risks being dwarfed by the mental rejection that snaps even the minds of those most willing to accept it. Indeed, everyone can see that children grow and adults stop growing, by the point of view of quantity. Adults mature, they make the society grow through work, art and culture, they renew the community by having children, therefore no one has ever called adulthood 'Degrowth'. I understand that Latouche wants to provoke this vulgar incivility of consumption, but with the term 'Degrowth' he accepted to play in the opposing field, that of quantity, while I think he would have been more successful with his message of quality if he had called it 'Happy Growth' ".

Giacomo sighed and continued: "We must work all together for a New Humanism, a Natural Humanism, that proposes a 'Good Sage' not a 'Good Savage'. We must learn from the Ecology to contextualise every one of our actions, coordinating it in time and in space with the actions of all other human beings, so that even the legitimate competitions merge in a more general process of cooperation. We must take back finance in its natural locus, which is that of a simple instrument to ease the economy. The economy must pursue the priority objectives that are Education, Welfare and Full Employment, it must recognize that children are absolutely the best economic investment possible, not a financial burden. Politics, fully shared, must make those objectives accessible to everyone, in a peaceful coexistence. Finally, since, as Tobin says, 'nothing is more political than Money'...

⁵⁶ <http://beahrselp.berkeley.edu/wp-content/uploads/2010/06/Qualitative-Growth2.pdf>

59 If the grain of wheat does not die...

Giacomo let out a long sigh and led the common reflection: *“Humanity will have to invent a type of money to be socially and ecologically useful, in a physiological way, that is mortal. The happy growth of all nature, humanity included, rests on cycles of birth and death. Food generates life at the moment when, being digested, it dies: only then does food become fertile, i.e. happy. If the grain of wheat does not die it cannot be fertile, happy. Creating an immortal money, mankind has created a tumour that is killing it. So even taxes are a way, however unfair and hateful, to make the money die. The promissory note goes towards an equitable death, but it’s too limited and limiting. Money with a programmed decline will be less limited and less unfair... These are all steps in the right direction: that even money is mortal and that social control, instead of being imposed from the outside through money-debt, becomes an encouraged self-control, strengthened by money-credit”.*

Giving voice to the joint effort of a meditation, Ambra confessed: *“As we make this ascent, from mental slavery to awareness, I am increasingly torn between satisfaction for the unexpected achievements and horror of the chasm we have fallen into. But let us look even at the positive side of that chasm... If the strong powers spend such huge resources to organise all this collective hallucination, if they don’t stop for anything or anybody, just to keep this tragic and grotesque preteens going, this is the proof that happy growth, citizenship life annuity, popular sovereignty of currency, happily mortal money, all positive things that we have considered up to now, and many other implications that I think we’ll discover through personal study, are not at all utopian. In fact, we should deduce that these objectives are as much at hand as are horrible and inhuman the efforts of the moneylenders to keep them as far away as possible, offloading their own demons onto the shoulders of the weakest. The moneylending power knows that it is naked like a worm, they know that sooner or later a child will point out their nudity to a mocking public and all this hoax will fall like a house of cards, as it is in reality”.*

60 Homework

At the Turin toll booth of there were carousels of cars with people hooting their horns, waving their arms, yelling joyfully and waving national flags. All that jubilation jarred with the jeeps and armoured carriers that, though secluded in dimly lit areas, or just because of that, added something surreal to the scene. Near the vehicles, groups of soldiers and policemen were whispering and smoking, even this instilled a vague sense of unease, as if the soldiers displayed the cigarettes to obey a precise order, not to transgress it. While their car was proceeding through that screeching humanity, Ambra reflected: *"It would be better if the soldiers were more cheerful and the people more thoughtful..."*

"Are you coming to our place for a drink?", asked Giacomo.

"No, thanks, you have already made me drunk with your crash course", replied Davide.

"It's very late! We'll leave you here and go straight home, tomorrow we start working again", sighed Arianna, *"I can just imagine what the discussion at the teachers meeting will be, to finalise who will teach the DiCEFi and when: in theory there's still Civic Education, but it has been increasingly ignored, if not completely removed from syllabi, and we can see the results!"*.

"Come to dinner tomorrow evening, so that we can resume the reasoning made up to now, maybe Giacomo will give us some useful explanations", proposed Ambra, immediately admonished by her husband: *"Ok for dinner and reasoning's. You will have to find the explanations yourselves, otherwise this Latin - and hopefully worldwide - revolution, will remain unfinished, in fact it will fail"*.

They acknowledged that the Latin New Deal would be developed only if supported by an informed population, no longer subjected to the taboos on finance and on currency. So each one of them had to delve into, by themselves, what had come to the fore on their return journey. They had to involve as many relatives, friends, colleagues as possible, insisting on the necessity of the systematic doubt on all that is primed with the means of mass distraction. They agreed to study in depth and with critical scrutiny a few basic assumptions: creation of

money exclusively by Public Authorities to be elected and supervised democratically; issue of money without debt, as follows: first, by distributing it as citizenship life annuity from cradle to grave; second: attributing to central and local governments the amount needed for their functioning and for purchasing goods and services only in the essential sectors (security, infrastructure, leaner bureaucracy, and little else); third: leaving the rest to the requirements of a truly free and self balancing market, to be based on cooperative creativity instead of destructive competition.

"The right mix of State and Market", noted Arianna.

"Both servants and not masters!", added Ambra, *"Both at the service of free creativity of the individuals, thus encouraging them to compete fairly instead of cynically"*.

"Don't forget to move taxation from work onto money, by means of its programmed decline", added Giacomo.

"Apparently even the solution is a flying pig: more difficult to believe than to understand... I'm ready to do my part. I feel that our generation owes it to our children, because we made this cynical and cheating world, we must help to better it", noted Davide, addressing Giacomo: *"However we will require a lot of time to surf the internet. Do you mind re-sending those links you have sent on several occasions in the past? I admit that I just gave them a glance... and not to all of them. I keep them somewhere, but if you send again it's better, this time you'll see that I'll study thoroughly. If I had known it before, I would have recorded all what we have said since leaving Plitvice"*.

"Please send everything to me as well!", asked Arianna, *"While you're at it, add some good books that you would advise an unholy like me who wants to begin from the foundations and evaluate with her head what the media throws at us. We'll then forward to many friends and acquaintances who are in our same situation"*.

"Send to me as well, even if I have you in the house all the time.", said Ambra, *"And I think it would be cute if you also copied to the Dear Reader who has followed up to here!"*.

61 Now it is your turn!

To :	Ambra, Davide, Arianna
Cc:	Kind Reader
Ccn:	
Subject :	to learn more...
From :	Giacomo <mail@monetabenecomune.it>

My dears, as promised here are some useful links and books for you to continue on the path of informed re-appropriation of the Economy:

- <http://paulgrignon.netfirms.com/MoneyasDebt/>
- www.positivemoney.org
- Serge Latouche: "Farewell to Growth", Polity Press, 2009.
- Joseph Stiglitz: "The Price of Inequality: How Today's Divided Society Endangers Our Future", Norton & Co., 2013.
- Loretta Napoleoni: "Rogue Economics", Seven Stories Press, 2008.
- Andrew Jackson & Ben Dyson: "Modernising Money: Why Our Monetary System is Broken and How it Can Be Fixed", Positive Money, 2013.
- Alan Beattie: "False Economy: a Surprising Economic History of the World", Penguin Books, 2009.
- Susan George: "How to Win the Class War", TNI, 2012.
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Of course, even this material must be read with a critical approach.
I wish you good work and happy liberation from the econo-mystic fetishes!

Giacomo

62 Appendix: Money is Common Good. Manifesto for a New Monetary Order

This document, updated and translated into several languages, can be found at www.monetabenecomune.it