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A behind-the-scenes reconstruction of a historical event

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Helmut Kohl's request, even before saying goodbye, took me completely by surprise: "Tell me about your family..." It was the first time I had met him, in the guesthouse near the Chancellery in Bonn. If, at thirty years of age, I hadn't been too intimidated by the giant who was unifying Germany in those months, he would have seemed a truly unusual man, whose passion for power was built also on curiosity for people. I soon had to understand, in the amazing years I spent in Germany, how the people and the governments are equally decisive in the turning points of history.

After years in Berlin, the fall of the Wall, and the German unification, in 1994 I took up residence in Frankfurt, where the single currency was about to come into being. From the signing of the Maastricht Treaty until 1998, the question was whether Italy, traumatized by the early 1990s, the Bribesville scandal (Tangentopoli in Italian), the institutional crisis, the mafia attacks, the increase in public debt, the continuous devaluation of the lira, would be able to join the euro. The Italians called for "entering Europe", as if that step - technically, the fixing of the convertibility of currencies - could free them from their primordial instability and make them mature like the more advanced civilizations. And everything seemed to be following a sort of fate, tight and tortuous, which could only lead to success. It all seemed that way. Until March 24, 1998.

I never told anyone about what happened that day. I promised it to my sources. If it hadn't been for an Italian Ambassador who wrote a book on those events, (M. Battocchi - "La Partita dell'Euro" – Egea 2022), those memories would have remained silent.

The house in Frankfurt had large windows overlooking the "wheat meadow," as the tree-lined street in the northwest of the city was called. It was one of those few, old and fascinating buildings that had withstood the bombing of the war. It was roughly halfway between the skyscraper of the European Monetary Institute, the precursor of the European Central Bank, and the Bundesbank building.

I had long since moved away from Italy. After my first job as an economist, I was hired as a German correspondent for Il Sole 24 Ore, then an important newspaper. Italy's approach to the euro seemed premature and unrealistic to me, but I was struck by the tenacity of the Italian government. One day, at the "wheat meadow" the phone rang and Prime Minister Romano Prodi convinced me of all his good reasons: "Go and talk to the chancellor," he exhorted me. I got in touch with Karl Lamers, one of Kohl's advisers with whom I was familiar, with Tommaso Padoa-Schioppa and then I went to the chancellery.

Kohl did not want to expose himself, at least not with me. On the contrary, he said dryly, "I have elections next year!" I had talked to Lamers about it at the end of 1997 and Karl told me that the signs were less negative: he took the chancellor to an Italian restaurant on the Rhine to eat fettuccine with mushrooms and finally, full after a good meal, Kohl declared his intentions for Italy: "I always thought the country was part of Europe." Just like the Italians we saying: it was all about entering Europe.

Everything, therefore, seemed to be spinning in the right direction or, as Kohl would have said, "like the Rhine flowing into the sea." Between 1992 and 1998, the spread had dropped by 600 points. Investors from around the world and Italian savers had staged a gigantic one-way bet: "all-in" on Italy's entry into the euro. If the process had failed, many banks would have gone out of business. It is not wrong to say that the entire global financial system would have experienced its worst crisis since 1929.

For Italy, the obstacle was the Bundesbank, whose power is often misunderstood. Sure, it built its reputation with tighter-than-necessary monetary policies and neurotic rhetoric. But its real power was due to its regional representations on whose councils almost all German economists sat well paid. A religiously defended bond of cultural orthodoxy had been created. Its presence on the territory supported a myriad of local banks and associations of family businesses and the Mittelstand, powerful lobbies with which the majority of German parliamentarians and all the more conservative ones were affiliated. It was an intertwining of interests based on cultural conformism that extended to the media and had shaped public discourse. It was in southern Germany that the clichés towards Italy were expressed most clearly. The Alpine ridge was a functional reference to the controversial postwar German identity. By defining Italians as funny, corrupt, or unreliable, a positive German orthodoxy was created by antithesis. When I asked Hans Tietmeyer, president of the Bundesbank, why he considered Italians so problematic, he replied with what seemed to me a bad joke: "a problem of climate and religion, I think."

The Bundesbank had been in a deadly confrontation with Chancellor Kohl for ten years. Governor Karl Otto Pöhl had been forced to resign after being outnumbered by the Bank Council against Kohl's plans for monetary unification between the two Germanys. The subsequent governor, Helmut Schlesinger, the dark soul of the Bundesbank, linked to the conservative judges and already defined as a "German nationalist" by Chancellor Helmut Schmidt, had implemented such a tough monetary policy that it destroyed the European Monetary System, the exchange agreement which was to precede the unification of European currencies. When Tietmeyer, who had played a key role in Kohl's first election, replaced Schlesinger, he had to mediate between the power system in the shadow of the Bundesbank and the chancellor. The breaking point was precisely the inclusion of the lira among the euro currencies. Together with Kohl's heir apparent, Wolfgang Schäuble, Lamers had proposed, as a compromise, a two-speed system that would see only the strongest currencies enter the euro, leaving out the lira, peseta, escudo, and drachma. But it was precisely the weakness of the lira, forced to continually devaluate between 1992 and 1995, which pushed German exporters - in the moment of greatest difficulty for the German economy since the war, burdened by the costs of unification - to ask the chancellor to stabilize the exchange rate with Germany's competitors south of the Alps. The Bundesbank only pretended to accept, asking to wait and see if the Italian government would manage to respect the convergence criteria written in the Maastricht Treaty.

The European Treaty required the verification of the results and the selection of the countries admitted to the euro to take place with the publication of a report signed by the central bankers gathered at the European Monetary Institute. The report was to be approved on March 24, 1998.

The wait for the document was exasperated. Politicians, analysts, spies, diplomats, and journalists from all countries were desperate for some kind of leak. As Battocchi's book recalls, nothing leaked from the skyscraper on the Kaiserstrasse where the governors met. Since that morning I too had been trying to "shake the tree," calling and leaving messages to all my acquaintances and above all to the top management of EMI. But neither I nor anyone else managed to get anything out of it. From Rome and London came dozens of phone calls from politicians looking for an indication or investors who had bet fortunes on Italy. I had nothing to say to them. At that time, landline telephones were mainly used. The mobile phones I called were regularly turned off. The few people who answered knew nothing. By late afternoon, the governors had walked out of the meeting with the deal, but without an announcement, other than that the report would be released at ten in the morning the next day. There was nothing to do but sit back and wait.

It was now late evening when I decided to make one last phone call. I had no more hope. I remember calling as I stood looking out the window. An excited voice replied: "We're out!" "What are you saying?" I asked. "We are out," repeated the voice, breathless, "in the report they wrote *serious concern*." The phone call broke off. I called back. No reply.

"Serious concern" was a formula I had heard before. It was the same one that had been used in an internal Bundesbank report published in German a few days earlier, proposing the exclusion of Italy. I called a friend who worked on the 11th floor of the Bundesbank building. He didn't answer. I called his home. "I can't speak," was his reply. "What have you done? You cut Italy off," I exclaimed. "There were no objections," he replied. The report was approved unanimously, but without a formal vote. Even Governor of the Bank of Italy Antonio Fazio must have agreed. How was this possible?

I wrote a short piece that the newspaper published on the front page despite the late hour. "Serious concern about Italy's entry into the euro." It was a wording that was worse than that assigned to Greece ("*ongoing concern*"), which, as was known for a year, would not participate in the single currency. There was no doubt, the central bank governors had unanimously decided to exclude Italy from participating in the euro.

At that time, the main newspapers were distributed before midnight in the central newsstands of Rome and Milan, including the one near Palazzo Chigi. After midnight I received a phone call from Fabrizio Saccomanni, a friend and talented economist from the Bank of Italy, one of the closest people to former governor Carlo Azeglio Ciampi, then Minister of Economy: "Are you sure Carlo?" "I'm afraid so, Fabrizio. We are out." The admission of Italy, after a judgment of 'serious concern,' would have allowed the constitutional judges of Karlsruhe to accept the unconstitutionality appeal of Germany's participation in the euro that had already been presented by a group of German economists. The judges would have forced Chancellor Kohl to immediately give up on the project that he often called "a choice between war and peace in Europe."

Unbeknownst to me, a long night began. Ciampi, informed by Saccomanni, had clung to the telephone and had taken his former colleagues by the collars. As Battocchi recounts, he called Tietmeyer, Duisenberg, Lamfalussy, and of course Fazio. According to Battocchi, Ciampi "ordered them, in rather imperative tones" to maintain equanimity of judgment. They could not afford to question clear-cut numerical results with value judgments that would have led them to substitute judgment for politics. No one could honestly ask for more than Italy had done, Ciampi pointed out. Blocking Italy's admission at that moment with dubious phrasing would have risked having dramatic consequences for the country, for which the central bankers would then have had to take full responsibility. The minister rightly feared that the judgment on Italy could unleash a catastrophic attack on the lira in the morning, eliminating any hope of converging towards the euro and eroding Italians' incomes. Greece, which, as had long been known, would not enter the group of the first countries, had seen its spread increase in one year to 600 points above the level of German rates. Italian rates could have risen by the same amount, suddenly sending the Italian public bond market into crisis, the third largest in the world, and triggering a huge detonator for global economic stability.

I can say, having talked about it with him, that Tietmeyer's rethinking was due to something else: giving Italy a worse judgment than that given to Greece ("serious concern" rather than "ongoing concern"), whose exclusion from the first group of euro countries was already certain, the bankers excluded Italy de facto and de jure from the euro. According to the requirements imposed by the Treaties, there would have been no possibility of admitting Italy and keeping Greece out. For the Karlsruhe judges it would not even have been necessary to conduct a merit analysis; they could have prevented Germany from joining the monetary union with an emergency measure, coming into force immediately. The European Monetary Union, a fundamental project for the integration of Europe, would have been aborted in a few hours. Tietmeyer did not want to take on the responsibility of sabotaging, six months before the federal elections, Chancellor Kohl, who had placed all his political weight on the project of uniting Europe after having unified Germany.

The publication of the news was followed, explains Battocchi, "by an excited round of telephone calls between European central banks. The Board of Governors was reconvened and approved a new version over the one agreed the night before. The concern was no longer defined as *serious*, but *ongoing*," just like in Greece and Belgium. It was enough to transform the assessment of Italy from negative to neutral.

For once, the people, more than the governments, had decided the story. On the morning of March 25, with a delay that no one knew how to explain, with world financial markets in feverish anticipation unaware of what had happened during the night, a badly bound copy of the Report, reprinted hastily in the morning hours, was delivered to the world press in the atrium of the EMI on the Kaiserstrasse. A few weeks later, the European heads of government were able to celebrate the birth of the euro.