

Monte dei Paschi Affair Could Bring Draghi Down

The role of Mario Draghi as a failed supervisor in the Monte dei Paschi di Siena bank (MPS) is offering several factions in Europe a common ground to seek an early political demise of the the current European Central Bank (ECB) chairman and, with him, the hyperinflationary policy of saving the euro “at all costs.”

Thus, European media jumped on the allegations being raised in Italy, that when Draghi was head of the Italian central bank (2006-07), he failed to act when MPS cooked the books, in order to cover for losses produced by high-risk derivative contracts. Exemplary of the media assault on Draghi is a Jan. 31 Reuters report which challenges his credibility to become the single banking supervisor for the Eurozone, citing a question raised with the EU Commission by European Member of Parliament Mario Borghezio, and allegations publicly made in Italy by former Economy Minister Giulio Tremonti.

“For now,” Reuters concludes, “Tremonti and Borghezio are exceptions, as few politicians see any advantage in attacking the non-partisan chief of the ECB, which has bought Italy’s government bonds

and helped to save it from bankruptcy. But after a triumphant 2012, in which he won much praise for his steps to tackle the Eurozone debt crisis, Monte Paschi is giving Draghi an uncomfortable new year.”

The German daily *Die Welt* went so far as to write that MPS “could cost Draghi his job.”

In response, the pro-Draghi faction is closing ranks. The German government issued a statement expressing confidence in him, and Italian State President Giorgio Napolitano attacked prosecutors and media for not “defending Italian interests” (!). Draghi himself travelled to Milan on Jan. 28 to meet Finance Minister Vittorio Grilli, who was expected to speak in front of a joint parliamentary committee the next day. Grilli had previously stated that the government had been aware of the problems at MPS for a year, and that the Bank of Italy (BOI) was responsible for supervision. After the meeting with Draghi, Grilli said that the BOI had exerted “thorough and effective” supervision.

However, the central bank shot itself in the foot, when it declared that, as a result of the “effective” supervision, it had forced MPS head Giuseppe Musari to resign in 2011. This is a confession of guilt, as the BOI should have informed state prosecutors!

Meanwhile, two more investigations into MPS, in Trani and Rome, brought by consumer groups, have been opened. Prosecutors in Siena have added racketeering to the other charges.