Draghi Goes, Beaten by His Own Policy

by Claudio Celani

July 26—On July 21, in the aftermath of Italian Prime Minister Mario Draghi's resignation, the French daily *Le Monde* wrote:

> Destabilizing for the eurozone, Italy's political crisis is also destabilizing for the Union. [The EU] at this very moment is implementing a historic recovery plan financed by a common debt. Mario Draghi's ability to reform the Italian state and use European funds to boost the economy was seen, especially in Berlin, as proof of the validity of this European solidarity.

The "historic" plan mentioned by *Le Monde* is the "Next Generation EU" (NGEU) plan, presented on May 27, 2020 by European Commission Chairman Ursula von der Leyen. The plan is a scheme to finance a "green transition" recovery in Europe with 360 billion Euro in loans and 390 billion Euro in grants, partly borrowed from the markets and partly financed through new taxes, with the loans to be made to EU member countries at putatively low rates. Presented as an occasion to finance a recovery for indebted countries, which would enjoy lower interest rates than by going directly to the financial markets, in reality the NGEU was a fatal trap.

In fact, its grants and loans are attached to conditions. Money can be spent only for projects approved by the EU Commission, their implementation must occur strictly on schedule, and in parallel, structural "reforms" must be implemented, such as deregulation and other free-market reforms. Failure to fulfill conditions would automatically lead to suspension of funds and even the required reimbursement of money previously loaned, which would unleash a financial crisis that would probably end in putting the national economy into EU receivership.

Italy, in which the Conte-2 government was dominated by a pro-EU coalition, was chosen as a guinea pig. Rome decided to take the entire quota of 191.5 billion Euro in allocated funds—68.9 in grants and 122.6 in loans. This, despite the fact that the new debt carried a seniority status versus Italy's existing sovereign debt, automatically devaluating the latter on the secondary market.

The Conte-2 government quickly drafted a plan on how to spend the money on "green transition" projects. However, it was clear that under the populist Conte it would be difficult to implement the attached reforms.

CC/European Parliament

Mario ("whatever it takes") Draghi, one of London's banking agents most damaging to Europe for three decades, overplayed his hand and is out as Italy's Prime Minister.

At that point, a government crisis was engineered, Conte lost a confidence vote, and Draghi was called in as new Prime Minister on Feb. 13, 2021, with the mandate of streamlining government policy and implementing all of the economically deadly "reforms" demanded by the EU.

Draghi Sold Off the Italian State

Why Draghi? Mario Draghi has dedicated his entire life to serving the financial oligarchy. He was the best "economic hitman" on the market. *EIR* has previously documented Draghi's role in destroying the Italian economy first, and the global economy eventually. Let us briefly review it.

Draghi's public career started on June 2, 1992, when, as an obscure Director General of the Treasury Ministry, he boarded Queen Elizabeth's yacht *Britannia* off the coast of Civitavecchia, Rome, to discuss with a selected crowd of bankers from the City of London the coming Italian policy of privatizations. When *EIR* exposed that meeting, a scandal broke out, and Draghi was summoned by a parliamentary committee to give an explanation. But political forces were weakened by the ongoing anti-corruption coup known as "Clean Hands," and Draghi was able to stay at his position. Eventually, he was appointed head of the committee executing the privatizations of national agencies and companies, and in the course of ten years (1993-2003) privatized banks, steel companies, roads, energy, and other assets for 110 billion Euros.

Draghi was instrumental in getting rid of Italy's 1936 Banking Law, inspired by FDR's 1933 Glass-Steagall Act.

Today, most of those companies are either bankrupt, controlled by foreign interests, or both.

Draghi's less known but equally important accomplishment while at the Treasury was the deregulation of the banking system. With the 1993 Banking Act that carries his name and that of former Prime Minister Giuliano Amato, Italy's regime of bank separation regulation was abolished, and the "universal bank" model was introduced in the country. As a consequence, Italian banks, to that point not involved in financial speculation, went into an orgy of high-risk investments, and several community and regional banks failed.

When Draghi later became head of the European Central Bank, this author asked him in a press conference whether he regretted having abolished the Italian bank separation system that had been created after the Glass-Steagall model, given the visibly negative consequences. His response was to lie that the Italian system was totally different from Glass-Steagall. This, despite the fact that the Bank of Italy itself, on its website, explained that the Italian 1936 Banking Law had been inspired by the Glass-Steagall model!

Collapsed World's Oldest Bank

At the end of 2001, Draghi left the Treasury and for a few years went to work at Goldman Sachs as head of European Operations. In 2006, he was chosen as Governor of the Bank of Italy. During his tenure at the Italian central bank, Draghi managed to help bankrupt the oldest bank in the world, the Monte dei Paschi di Siena (MPS).

We dealt with the MPS case extensively on Feb. 3 2013, in the *EIR* articles, "A Four-Century-Old Nemesis Casts Its Shadow Over Upcoming Elections," and on Dec. 22, 2017, " 'Death of a Banker' Spotlights Draghi and the Dying, Criminal Financial System". Draghi, against his own oversight department, gave the green light for a banking acquisition that ruined MPS, which, despite several bailouts with taxpayers' money, never recovered.

In 2011, just before becoming President of the European Central Bank (ECB), he authored a letter together with ECB president Jean-Claude Trichet, launching an ultimatum to the Italian government that ultimately caused the government to fall that November, installing a technocratic government led by Mario Monti that threw the national economy into a deep recession.

As President of the ECB, Draghi launched the largest monetary expansion in European history (maybe with the exception of Germany's 1922-23 hyperinflation) under the name of "Quantitative Easing" (QE), which then was continued by his successor Christine Lagarde. The ECB balance sheet has gone from roughly 3 trillion Euro at the end of 2011 to 8.8 trillion in July 2022. This, together with similar policies by the other trans-Atlantic central banks, is the cause of today's runaway inflation, as former Italian Treasury Minister Giulio Tremonti, among others, pointed out. Tremonti ironically noted that the famous sentence pronounced by Draghi in 2012, "Whatever it takes," to justify QE, has become "Whatever mistakes."

In view of all this, it is clear why the EU, the City of London, and Wall Street, wanted their man, Mario Draghi, to take over the government in 2021.

Creative Destruction, 2021-22

Draghi accepted reluctantly, as he did not want to be thrown in the grinder of day-to-day politics. His ambition was to become State President in 2022, when the seven-year mandate of Sergio Mattarella would expire. Draghi was indeed the front-runner for the job, and he was promised that once done with the job in the executive, he could resign and be elected President.

Thus, as the plot to overthrow Conte was being woven, in December 2020 Draghi published a manifesto for his premiership, in the form of the preface to the Group of 20 Annual Report (see *EIR*, Feb. 19, 2021). There Draghi appeased Italian Parliament factions by approving government spending under the COVID pandemic heading, adding, however, that investments for the recovery should go only to "sustainable" activities for the "green" transition. A process of "creative destruction" would characterize the next economic phase.

With the honey trap of "not losing EU funds," almost all parliamentary factions were lured into supporting a Draghi government in a sort of "grand coalition" which left out only the right-wing Fratelli d'Italia faction.

Draghi started to implement his "reform" agenda, and the first months seemed to be an easy ride. However, as time went by, it became clear that the ambitious "Resilience and Recovery Plan" not only would not bring a recovery, but that most programs were behind schedule and, because of the Plan's extreme fragmentation and decentralization, lacked qualified personnel for implementation. While experts increasingly sounded the alarm, other crises appeared. Price inflation started to hit consumers in the second half of 2021, and finally the strategic crisis broke out with the war in the Ukraine in February 2022.

Actually, Draghi had planned not to be in the hot seat any longer at that point, as he had been promised the State Presidency by January. In fact, as the elections neared in January, he had given a speech declaring his job completed and his person available for new responsibilites. This "self-candidacy" has no precedent in Italian history.

However, the cards were reshuffled, maybe in Brussels, London, and Washington. Draghi must stay; we still need him in the executive was the message. Was it because of the coming strategic crisis? Indeed, in the days preceding and following the start of the Russian Special Military Operation in Ukraine, Draghi took the leadership of the war of sanctions against Moscow.

Draghi as Leading Warhawk

According to a reconstruction by the *Financial Times*, confirmed by Draghi in a press conference March 6, two persons were key in Europe in forcing through the decision to freeze Russia's central bank reserves on the third day of the military intervention in Ukraine: Italian Prime Minister Mario Draghi and Ursula von der Leyen's chief of staff, Björn Seibert. Draghi was able to convince a recalcitrant U.S. government to take a decision that the Federal Reserve had exposed as harmful to the dollar; and Seibert had begun working on a package of sanctions in January, well before the Russian military intervention in Ukraine.

In Europe, according to the *Financial Times*:

> [It was Draghi] who pushed the idea of sanctioning the [Russian] central bank at the emergency EU summit on the night of the invasion. Italy, a big importer of Russian gas, had often been hesitant in the past about sanctions. But the Italian leader argued that Russia's stockpile of reserves could be used to cushion the blow of other sanctions, according to one EU official. "To counter that … you need to freeze the assets," the official says. Two days later, Ursula von der Leyen called Mario Draghi and asked him to work his "magic" on U.S. Treasury Secretary Janet Yellen. By the end of the day, he had convinced her.

Draghi's so-called "magic" is less esoteric than one might think. It is the power of the City of London and of Wall Street, which former Goldman Sachs executive Draghi represents, and for which torpedoing the credibility of the U.S. dollar as world reserve currency is no problem, as long as it can advance the cause of the British Empire.

Draghi proved to be among the most hawkish NATO leaders, along with Boris Johnson and the Polish and Baltic government leaders, in pushing for weapon deliveries to Ukraine. But it was on this issue that the first cracks in the Italian coalition started to appear. A first decision to send weapons easily got a large majority in Parliament at the beginning of March; but when Draghi announced a second shipment in mid-May, it took long negotiations with the Five Star Movement (M5S) component of the coalition to have a resolution approved.

CC/International Monetary Fund

U.S. Treasury Secretary Janet Yellen was reportedly persuaded by Draghi to join him in pushing through the seizure of $350 billion of Russia's foreign exchange reserves on Feb. 28, 2022.

Indeed, both the M5S, led by Conte, and the Lega, headed by Matteo Salvini, albeit voting for government measures, had manifested their disagreement with Draghi's Ukraine policy and the sanctions, which are primarily damaging Italy. Italy, in fact, has the second-largest dependence after Germany, on Russian gas deliveries, which made up about 40% of total Italian gas imports. It was becoming a suicidal proposition to stay in a government whose head, in a press conference returning from an EU summit, stated that the Italian population should choose "between air conditioners and peace."

Jumping From the Car Before the Crash

Thus, the trap for Draghi was laid. As a confidence vote on a package of economic measures came on July 20, the M5S announced that they would not vote for it, thus calling themselves out of the governing majority. Playing this out, the Lega announced that in the new situation, "national unity" was broken, and they would therefore also leave the government.

But it was Draghi himself who demanded a condition impossible to fulfill. He demanded that M5S backtrack—that he would stay only if all members of the coalition renewed their confidence in his leadership. Furthermore, in an act of contempt of the Senate, Draghi said that he was there "because the Italians wanted it," forgetting that in a parliamentary system, such as the Italian one, the executive responds only to Parliament.

One had the impression that Draghi provoked his own fall.

Eventually, through parliamentary alchemies, with absentees and "non-voting Members," Draghi got a formal majority with only 95 votes, thus becoming the first Prime Minister in history to resign after having won a confidence vote.

As *Corriere della Sera* columnist Massimo Gramellini wrote July 21,

> In view of the shared position of Conte and Salvini on the war, the real mystery is not that the government fell, but how did it manage to last until yesterday.

Former Prime Minister Silvio Berlusconi insisted, rather, that Draghi was "tired" and wanted to leave.

Both statements are true. Draghi knows very well that an economic tsunami is coming. In September, there will be an explosion of prices in consumer goods, electricity bills, etc. Producers and retailers have been able to contain price increases at a moderate level so far, but their margins are exhausted. And as a consequence of the sanctions, Italy is going to experience an energy scarcity going into the Winter. This will trigger a spiral of foreclosures, layoffs, and insolvencies. Brussels will use the opportunity to crush the country. Although Draghi's policies are largely responsible for this, he does not want to be in the driver's seat when the situation gets out of control.

What Can Happen Now

As early elections are scheduled for Sept. 25, the polls give a solid advantage to the center-right coalition, formed by the Lega, Berlusconi's Forza Italia, and the right-wing Fratelli d'Italia (FdI). The latter has capitalized on its 17-month-long parliamentary opposition against Draghi's government, especially its economic, social, and energy agenda. Thanks to this, FdI is now leading in the polls with more support than its two coalition partners together; and if this trend is confirmed in the vote, FdI leader Giorgia Meloni will become Prime Minister. Meloni, unfortunately, has been even more hawkish than Draghi on foreign policy. For instance, she strongly pushed for delivering weapons to Kiev with the argument, "If we stop sending weapons, the West will keep doing it and will consider us to be not a serious country."

Meloni was rebuked for this servile statement by, among others, Prof. Francesco Battaglia, a popular anti-Green scientist. "What kind of argument is this?" Battaglia asked. "And what if we instead propose to suspend weapons and sanctions, and other countries follow us?"

The good news is that coalition partners Lega and Forza Italia want a shift in foreign policy. Although they voted for all of Draghi's measures on sanctions and weapons delivery to Kiev, they insist that the emphasis should be on ending the war as soon as possible through negotiations.

Significantly, economist Michele Geraci, who was a member of the Lega-M5S government in 2018-19 and the architect of the pro-Belt and Road Initiative Memorandum of Understanding signed by Italy and China in 2019, is optimistic on the future agenda of the government. Answering a Facebook follower who complained that a Meloni government "would insult China every second day and would continue hostilities against Russia," Geraci, who could be re-called into a center-right government or influence it from the outside, stated: "I will stop them!"

Definitely, the three coalition partners cohere on economic and energy policy, so much that the international liberal media, like *Le Monde* in the article mentioned earlier, are complaining that there will be a "populist" shift against the EU "green transition" blueprint.

Indeed, an outgoing Senator and member of the Eurosceptic faction in the Lega, Claudio Borghi, in an interview with the daily *La Verità* July 25, has given a foretaste of one potential issue of the election campaign:

> The Green Deal should be thrown in the garbage. Is it reasonable to destroy the automotive industry, starting with the Italian one, just to favor the Chinese [who produce batteries for E-cars—ed.]? On energy, do we want to keep telling lies? I think that a worldwide re-thinking on energy strategies is necessary—including nuclear energy. Where will we end up without it?

Silvio Berlusconi and Georgia Meloni: Will they reverse Draghi's pro-Atlanticist policy?

Borghi said that Draghi had to go because, among other things, he did not play his "authority" as "the man who saved the Euro" and go to Brussels and renegotiate EU budget and fiscal policy rules. He continued:

> Conditions were there: [The EU] has never been so weak as today. Germany wants to spend 100 billion in rearmament and must bail out Deutsche Bank. France is concerned with the spread on its bonds. Current rules are tight for everybody, es-

> pecially in the current economic framework. Draghi should have spent his alleged authority on that, but he did not do it.

These are all good propositions, but in order to prevent EU and financial market blackmail from bringing the ghost of Mario Draghi back, the next Italian government must adopt a truly independent platform, breaking with the Euro, and taking the initiative to rebuild the East-West cooperation and economic integration that has been destroyed by the new Iron Curtain built by the British Empire and NATO.

The election campaign will be a test. Opposition to NATO policy on Ukraine is already widespread among the population and will grow as the effects of the suicidal sanctions will be more and more felt. The anti-Draghi coalition must capitalize on this, campaigning for an alternative policy which includes dialogue with Russia and resuming the Belt and Road cooperation with China.

At the same time, 30 years of destruction of the national economy must be reversed, beginning with re-establishing a sound credit system. The Draghi-Amato 1993 Banking Act must be abolished, and a banking separation system re-established. The so-called "Resilience and Recovery Plan" can be mostly ripped up and "green" projects replaced with sound investments. For instance, the key infrastructural link between Sicily and the Italian mainland, the bridge over the Strait of Messina, is a project large enough to boost the entire regional economy and is ready to be built. Another urgent necessity is to provide Italy with desalination plants to solve the chronic water crises during the Summer (this year, 30% of the crops have been lost due to the drought). Energy should not be rationed; production must be increased, scrapping the idiotic rush to replace cheap Russian gas with expensive LNG from other producers, and resuming the old plan for building nuclear plants which was killed in 2011 through a green populist initiative.

If the center-right coalition adopts such a program and rallies the population in support, then Italy has a chance to liberate itself from 30 years of decadence and can look to a bright future.