

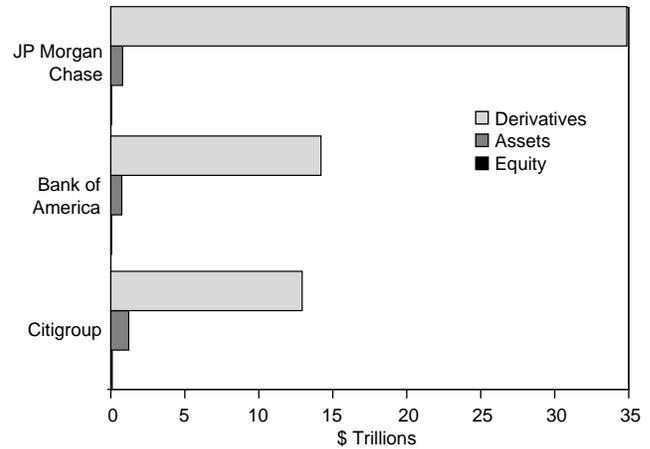
Pay Attention to That Man Behind the Curtain

by John Hoefle

Any good illusionist knows the trick: You provide a distraction for your audience, keeping their eyes away from that which you do not want them to see. Such is the case with the Parmalat investigation now playing out in the press, just as it was in the Enron, WorldCom, and other cases over the recent period. The trick is to pick an executive, or an activity within the collapsed company, and subject him or it to intense public scrutiny, while the banks and other real culprits fade into the shadows.

The Enron case is exemplary. From the day the Enron scandal broke publicly, the major financial press, led by the *Wall Street Journal*, focussed attention upon a handful of Enron's thousands of subsidiaries, affiliates, ventures, and entities. The coverage pointed to a handful of Enron executives, and featured the laments of Enron's bankers, that they

FIGURE 1
Derivatives Dominate at Top U.S. Banks
 (\$ Trillions)



Source: Bank for International Settlements.

.. had had no idea what Enron had been doing. After weeks of
 .. such nonsense, a special committee was formed, of one veter-
 eran and two new Enron directors, to conduct an investigation
 .. of Enron's fraud. This committee ran its investigation pre-
 .. cisely along the lines identified by the press.

Only months later did the truth begin to emerge, in dribs and drabs. As it turned out, not only did the banks know what Enron was doing, but they had taught the company how to cook the books and play the derivatives market; and had helped set up and even invested in some of the company's scams. As *EIR's* own investigations showed, it was bankers who created Enron, as a vehicle for energy deregulation and speculation; and it was the bankers who really ran the show. The focus on the insiders, as guilty as they may have been, actually served to hide the role of Lazard and Rothschild in steering Enron, and the role of Bankers Trust, DLJ, Merrill Lynch, Citigroup, and J.P. Morgan Chase in setting up and funding illicit activities.

Now the illusionists have turned their attention to Parmalat.

Much remains unclear about what actually happened at Parmalat, but it's a pretty sure bet that it's another bankers operation, run by the usual suspects. To understand what the Parmalat affair actually is, one must put away one's magnifying glass and look at what the illusionists do not want you to see, the larger global financial crisis.

Derivatives

The dominant feature of the global financial system today is the huge casino known as the global derivatives market. In 2000, Lyndon LaRouche and *EIR* estimated that there were some \$400 trillion in financial (debt) aggregates swirling

FIGURE 2

Dollar Plunge Continues

(Euros per Dollar)



Source: *EIR*.

around the financial markets, of which some \$300 trillion were derivatives, with another \$100 trillion in stocks, bonds, and related claims. Since that time, according to the Bank for International Settlements (BIS), global derivatives volume has been increasing at a rate of some 23% a year, which suggests that the level of derivatives in the system may have nearly doubled since that estimate was issued.

Parmalat, in the period before its huge financial holes appeared to the light, had become involved to the extent of over \$1 billion in collateralized debt obligations (CDOs), one of the most rapidly expanding sectors of the global derivatives markets. This involved its relations to the Bank of America, or NationsBank.

There are, to be sure, enormous differences between *EIR*'s estimations of the size of the global derivatives market, and the figures provided by the BIS, but the BIS figures—\$109 trillion in derivatives worldwide in 2000, and \$208 trillion by June 2003—are plenty large enough to show the derivatives market to be the largest and most dangerous financial sector in the system.

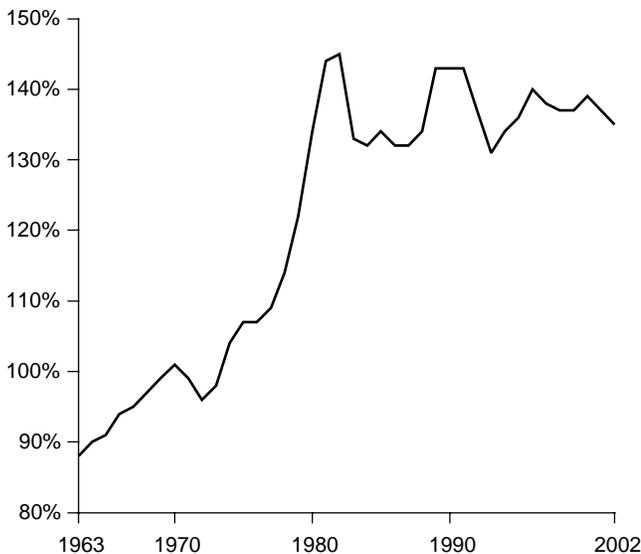
The purpose of all this derivatives activity, as we have stressed repeatedly over the years, is to hide the bankruptcy of the financial system, and spread its losses around the world. However, as LaRouche has indicated, the larger this bubble gets, the more unstable it becomes. As with any pyramid scheme, it must grow continuously or collapse, and its appetite is enormous.

The Usual Suspects

When Parmalat announced the replacement of its chief executive officer in mid-December, it also announced the appointment of two banks to oversee its restructuring: Lazard

FIGURE 3

Combined Home, Car, Medical, College, and Food Payments as Percent of Average Paycheck



Sources: U.S. Department of Commerce; National Association of Home Builders; The College Board; U.S. Department of Labor, Bureau of Labor Statistics; *EIR*.

Frères and Mediobanca. The apparent bank takeover increases the danger LaRouche warns of (see article, page 4) that the company's large and productive dairy foods operations will be torn up and sold off in pieces—the worst outcome for the Italian and worldwide physical economies.

Lazard should be familiar to readers of *EIR*, both as one of the banks LaRouche has identified as a controller of the Synarchist movement, and as a bank which has played a major role in creating the speculative financial bubble in the United States. Mediobanca is an Italian bank closely allied with the insurance giant that grew from the old Venetian *fondi*, Assicurazioni Generali—whose chairman comes from Lazard. Mediobanca's major shareholders include Capitalia, Banca Intesa, and San Paolo IMI, which are also Parmalat's main Italian banks.

That Lazard would turn up on the Parmalat crime scene should be no surprise. Former Lazard banker Raymond Trough was one of the three-man panel which ran the Enron investigation, and Lazard is also involved in the Hollinger Corp. restructuring. Former Lazard partner Felix Rohatyn, who headed a New York Stock Exchange task force to consolidate investment banks and brokerages in the early 1970s, is now promoting himself as an authority on "corporate governance" in these scandalous times.

One of the chief beneficiaries of Rohatyn's work for the NYSE is Citigroup Chairman Sandy Weill, and Weill's long-

time controller/attorney Kenneth Bialkin is on the General Council of Assicurazioni Generali. Citigroup is one of the major American lenders to Parmalat. Another is Bank of America, whose roots on the San Francisco side go back to the Bank of Italy of Synarchist and Mussolini supporter A.P. Gianinni. When it comes to corporate crime, it's a small world after all.