

Barings collapse claims Bank of England victim

by Mark Burdman

Mere mortals are usually not allowed to know what is going on behind the hallowed doors of the Bank of England. But now that the bank has become significantly discredited by its handling of the end-February collapse of Barings Bank, the sacred cow is no longer so sacred, and some of the more salacious realities are being publicly revealed.

On March 21, Deputy Gov. Rupert Pennant-Rae, former chief editor of the London *Economist*, announced that he was resigning. He claimed that he wanted to prevent the bank's prestige from being hurt by his misdeeds. On March 19, the tabloid *Sunday Mirror* had revealed that Pennant-Rae had been conducting a torrid extramarital affair—so torrid that some of the more impassioned “exchanges” had been conducted on the carpet of the private dressing-room of bank Gov. Eddie George. Pennant-Rae's sexual exploits had become so notorious, that he was nicknamed “The Bonk of England.”

His partner was reportedly an Irish-American financial journalist from the U.S. state of Virginia named Mary Ellen Synon. She is now speaking to journalists, because she claims that the arrogant Brit had made all sorts of romantic promises to her, and then crudely turned her aside. Synon told a radio interviewer, in comments widely reported by the British press on March 22: “If you are going to dump, don't dump a financial journalist if you are deputy governor of the Bank of England. That's dumb. . . . Nothing would be angrier than an Irish-American financial journalist who has been badly treated.”

However, the reality is that Pennant-Rae is the first high-level victim of the Barings collapse. He is the convenient sacrificial lamb, to protect Eddie George and the establishment bigshots who make bank policy, as well as the British government itself. It is typical of the establishment to use a “sex scandal,” to divert attention from the real horror. With Barings, the scandal was not the ineptitude of the Bank of England in having allowed the bank to collapse, but rather George et al.'s promotion of the radical free-market insanities typified by the exploding international trade in derivatives. Barings Singapore trader Nick Leeson, whose transactions were the immediate cause of its downfall, was simply being faithful, not just to the policy of the Barings directors, but to the policy of the Bank of England itself.

On the day Pennant-Rae resigned, Prime Minister John Major's 10 Downing Street claimed it was “speculation” that he had been forced to leave because of the mishandling of

the Barings affair. However, Bank of England head of supervision Brian Quinn admitted to a European Parliament hearing on derivatives on March 21 that there had been “a rather severe and dramatic breakdown in control systems” that had been responsible for the collapse of Barings.

Quinn would undoubtedly love to deflect attention onto Pennant-Rae, since he himself is an unrepentant derivatives-trading addict; he advised the hearing that the destabilizing effects of derivatives should not be exaggerated, especially as “every bank leverages its capital.” Back in June 1994, when the Bank of England was asked for a response to Lyndon LaRouche's “Ninth Forecast” that the global financial system was entering a phase of disintegration, the bank's information department dispatched an “urgent fax” containing a May 1994 speech by Quinn lavishly praising derivatives.

‘Whom the gods would destroy . . .’

LaRouche had begun his Ninth Forecast by saying, of George, “Whom the gods would destroy, they first make mad.” As if to prove LaRouche's assertion, George was quoted in the London *Observer* on July 24: “One has to be careful, because one can sound complacent, and we are not. We now have an expert team monitoring derivatives, who are even better every time they go in to see a firm. What they are reporting back from the active players on the market, is very reassuring. These people know what they are doing, whether it's at director level or the chaps on the desk.”

The circumstances of Pennant-Rae's resignation can only further damage the Bank of England's reputation. The March 22 London *Guardian* ran a front-page story, “Chief's Affair Rocks Bank,” noting that the resignation is a new blow to an institution “already battered by the Barings collapse and a shaky pound sterling.”

The *Guardian* wryly commented that what has been revealed is “another chapter in the ill-fated ‘back to basics’ campaign” begun by Major in 1993. In early March, Robert Hughes resigned from Major's cabinet over his extramarital affair, the fifth to leave because of “marital infidelity” since the cabinet was formed in 1992.

Pennant-Rae's degeneracy is nothing new. On March 3, 1989, *EIR* published “The London *Economist*: a Magazine By, and For, the ‘Satanist Personality,’ ” which reported on a Feb. 4, 1989 Pennant-Rae interview with *El País*, in which he defended an *Economist* editorial advocating drug legalization in the United States. He told the Spanish daily that the *Economist* justified legalization on “pragmatic and utilitarian” grounds. He reiterated his pro-drug views in a Feb. 23 discussion with *EIR*. But Pennant-Rae was spouting views that were being openly sanctioned by the British monarchy. Earlier, on Feb. 3, 1989, *EIR* had exposed the fact that Her Majesty Queen Elizabeth II had just knighted *Economist* chairman Sir Evelyn Rothschild, with full knowledge that his magazine was advocating drug legalization.