reasonable place of residence? Compare this figure for 1960, 1970, 1980, 1990, and today.

For example: Look at the rise in cost of grocery-store food prices now, as compared to a point six months ago, a year ago, two years ago. Or, also go into an area in which a great mushroom, like Wal-Mart, has pushed local competitors out of existence. Compare the quality of what you could buy today in that community's stores, with what you could buy five or 10 years ago.

These kinds of comparisons refer essentially to households' direct consumption of essential goods and services. They do not include medium- to long-term capital factors, such as the run-down condition, or closing of both essential employers' operations; or collapse of public and related investment in basic economic infrastructure, such as school systems, libraries, hospitals, systems of generation and distribution of power, and so on. Since approximately 1971, the U.S. has lost no less than $4 trillions' worth (at today's prices) of essential basic infrastructure. Genghis Khan's hordes, disguised as entities such as the American Enterprise Institute, have come and raped and looted the United States, all by the invitation of our government.

The citizen is largely to blame for allowing this to happen to us all. He or she either voted for the bums who allowed these swindles to continue over decades; or, they say, "Don't blame me. I never vote! Don't blame me for the accident my car caused; I didn't have my hands on the wheel at that time."

When will the citizen wake up? An interesting question, is it not?

Pay Attention to That Man Behind the Curtain

by John Hoefle

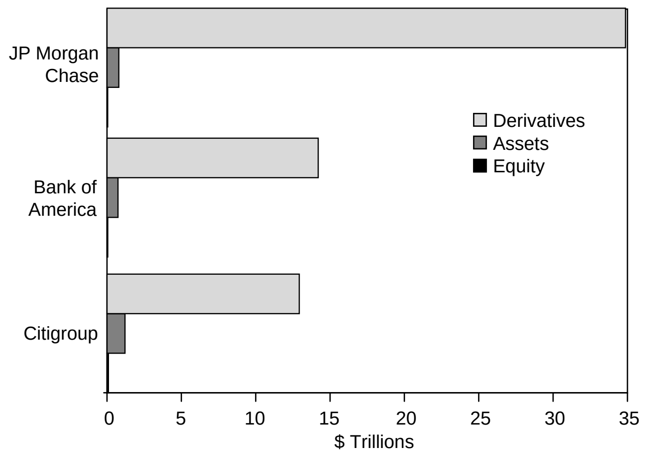
Any good illusionist knows the trick: You provide a distraction for your audience, keeping their eyes away from that which you do not want them to see. Such is the case with the Parmalat investigation now playing out in the press, just as it was in the Enron, WorldCom, and other cases over the recent 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 had had no idea what Enron had been doing. After weeks of such nonsense, a special committee was formed, of one veteran and two new Enron directors, to conduct an investigation of Enron's fraud. This committee ran its investigation precisely along the lines identified by the press.

FIGURE 1

Derivatives Dominate at Top U.S. Banks

($ Trillions)



Source: Bank for International Settlements.

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.

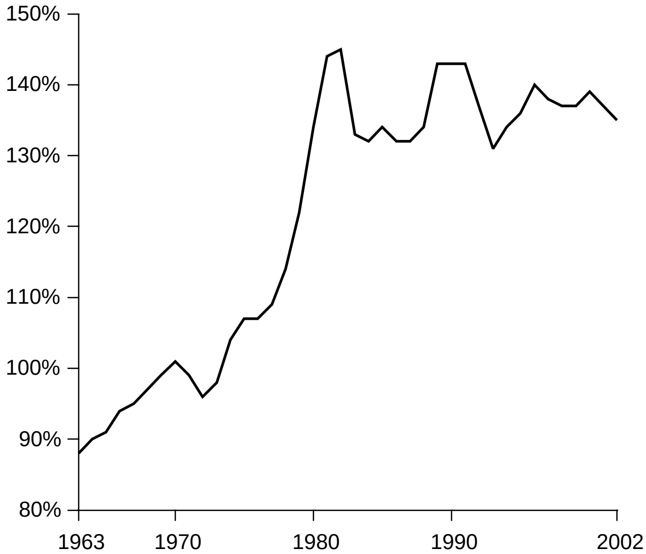
Derivatives

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.*

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.*

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 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 Troubh 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 longtime 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.

The Story Behind Parmalat's Bankruptcy

by Claudio Celani

The bankruptcy of the giant food company Parmalat, warned Italian Finance Minister Giulio Tremonti on Dec. 22, runs the risk of leading to "general corporate insolvency" in Italy, if there is a run on corporate bonds. Throughout Europe, financial operators are nervous about the enormous sums of fraudulent financial paper that went up in smoke—and about where the trail of criminal investigation will lead. A senior European financial source, for example, told *EIR* that Parmalat's collapse throws a spotlight on the huge volume of dirty deals that are being run by top international banks through offshore centers such as the Cayman Islands. These deals are often used to finance political, illegal, or high-risk speculative efforts, he said, and the Parmalat scandal could expose this entire dirty sub-structure of the global financial system, with unforeseeable financial as well as political consequences.

Parmalat is the largest Italian food company and the fourth largest in Europe, controlling 50% of the Italian market in milk and milk-derivative products. Suddenly, it was discovered that its claimed liquidity of 4 billion euro did not exist, and that EU 8 million in bonds of investors' money had evaporated as well. Parmalat is the largest bankruptcy in European history, representing 1.5% of Italian GNP—proportionally larger than the combined ratio of the Enron and WorldCom bankruptcies to the U.S. GNP.

Behind Parmalat's facade as a productive agro-industrial company with 34,000 employees, hides a giant financial speculative scheme to lure investors' money and syphon it off through a network of 260 international offshore speculative entities, where the money disappeared. It has been reported that at the receiver-end of that scheme, the Cayman Islands-based offshore entity called Bonlat had invested $6.9 billion in interest swaps, the highest-risk derivatives operations. So far, through this scheme, at least EU 8 billion have disappeared, but the figure is provisory.

It is now being discovered that over the years, Parmalat had become a tool of the banks, which had invented, built up, and managed the speculative scheme. Which banks? The list currently investigated by prosecutors in Parma and Milan reads like the *Burke's Peerage* of the international financial system: Bank of America, Citicorp, J.P. Morgan, Deutsche Bank, Banco Santander, ABN; it goes on with all the largest Italian banks: Capitalia (Rome), S. Paolo-IMI (Turin), Intesa-BCI (Milan), Unicredito (Genoa-Milan), Monte dei Paschi (Siena), to name just a few.

How It Developed

The story began in 1997, when Parmalat decided to become a "global player" and started a campaign of international acquisitions, especially in North and South America, financed through debt. Soon, Parmalat became the third largest cookie-maker in the United States. But such acquisitions, instead of bringing in profits, started, no later than 2001, to bring in red figures. Losing money on its productive activities, the company shifted more and more to the high-flying world of derivatives and other speculative enterprises.

Parmalat's founder and now former CEO Calisto Tanzi engaged the firm in several exotic enterprises, such as a tourism agency called Parmatour, and the purchase of the local soccer club Parma. Huge sums were poured into these two enterprises, which have been a loss from the very beginning. It has been reported that Parmatour, now closed, has a loss of at least EU 2 billion, an incredibly high figure for a tourist agency.

The losses of the Parma soccer club are not yet fully known. Here, Parma insiders are pointing at what they call the "Medellín Cartel" connection—i.e., the purchase of overpriced Colombian soccer players, and other extravagances. While accumulating losses, and with debts to the banks, Parmalat started to built a network of offshore mail-box companies, which were used to conceal losses, through a mirror-game which made them appear as assets or liquidity, while the company started to issue bonds in order to collect money. The security for such bonds was provided by the alleged liquidity represented by the offshore schemes.

The largest bond placers have been Bank of America, Citicorp, and J.P. Morgan. These banks, like their European and Italian partners, rated Parmalat bonds as sound financial paper, when they knew, or should have known, that they were worth nothing. While Bank of America has participated as a partner in some of Parmalat's acquisitions, Citicorp is alleged to have built up the fraudulent accounting system.

What strikes one is not only the dimension of the scheme, but the arrogance of its authors. For instance, one of the offshore mail-box firms used to channel the liquidity coming from the bond sales was called Buconero, which means "black hole"! Appropriately, the first class-action suit in the United States on the Parmalat case, filed by the South Alaskan Miners' Pension Fund, is against Parmalat, its auditors, Bank of America, and Citicorp—and focusses on Buconero. "The Parmalat fraud has been mainly implemented in New York, with the active role of the Zini legal firm and of Citibank," said San