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## The Democratic Party

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# How banker Charles Manatt profits from Volcker's high interest rates

by Warren Hamerman, Chairman, National Democratic Policy Committee

Charles T. Manatt, the current chairman of the Democratic National Committee and the president of the First Bank of Los Angeles, is about to make an immense personal financial profit in a \$65 million flight-capital deal with the sixth largest bank in Italy.

At a time when banker Manatt has refused repeated urgings from Lyndon H. LaRouche and other prominent Democrats to lead the Democratic Party into a full-scale mobilization against Federal Reserve Board Chairman Paul Volcker's usurious high interest rates, Manatt himself was in final negotiations for his private profit from Volcker's high interest rates.

On Aug. 20, both Manatt's bank, the **First Bank of Los Angeles**, and the **Istituto Bancario San Paolo di Torino**, the sixth largest bank of Italy, announced an accord for the Italian bank to acquire a majority of the stock of Manatt's California bank.

The infusion of an anticipated \$65 million in flight capital from the Italian bank for up to 1.7 million shares in Manatt's bank was arranged to reap instant profits from Paul Volcker's high interest rates in the United States, which are taking jobs away, causing farms to foreclose, pushing thrift institutions to the verge of bankruptcy, and threatening to throw the U.S. economy into a collapse worse than that of the 1930s.

The Turin bank involved in the deal, **Istituto Bancario San Paolo di Torino**, was established in 1563 as a foundation "for the promotion of charitable works," initiating a new framework for certain kinds of credit activity. San Paolo was later accorded the status of a public law bank, although its legal structure remains that of a foundation. San Paolo of Turin today is not only the sixth largest bank in Italy but the 63rd largest bank in the world (based on deposits as of Dec. 31, 1979). It conducts a full range of banking activities through its Italian domestic network of 320 branches.

San Paolo of Turin also maintains full branches in Frankfurt, Munich, London, Paris, and Zürich as well as operating an agency in New York. Furthermore, the

Turin banking institution fully owns **Sanpaolo Bank Ltd.** in the Bahamas and has controlling interest in **Sanpaolo-Lariano Bank S.A.** in Luxembourg. San Paolo of Turin, whose chairman is **Luigi Coccioli**, maintains the following principal subsidiaries in Italy: **Banco Lariano**, the Sicilian-based **Banca de Sud**, **Fiduciaria San Paolo S.P.A.**, and **Leasint S.P.A.**

Knowledgeable banking sources in Italy know the Turin bank as a financial institution dominated by leaders of the Italian Socialist Party (PSI). **Nerio Nesi**, formerly closely associated with the San Paolo Bank, is one of Italy's most prominent Socialist Party leaders and a close political colleague of the notorious **Giacomo Mancini**, the boss of the Calabrian mafia and the protector of the faction favoring terrorism within the Italian Socialist Party.

In fact, the head of the Socialist Party of Italy, **Bettino Craxi**, who is making a bid to take over the government of Italy within the next two months, is known to have an extremely close political relationship with many of the current officials of the San Paolo Bank of Turin.

On Aug. 20 a spokesman for the Turin bank told the press that the impending acquisition of Manatt's bank represents a "new alliance between an old prestigious European banking institution and the new growing California bank of Manatt." In the accord of acquisition, Charles T. Manatt will remain president of the California junior partner after the takeover. A spokesman for the First Bank of Los Angeles reported that the executives of the California institution, which is currently the 33rd largest banking institution in the state with about \$300 million in assets, are "thrilled" over the new infusion of money, because they can now expand their investment in technology used in international electronic funds transfer.

Since Paul Volcker began his high interest-rate policy at the Federal Reserve in October 1979, massive overnight profits have been reaped in international flight-capital transfers which take advantage of interest-rate differentials among nations. The large hot-money flows

in such transactions have been a principal cause of uncontrolled inflation imported into the United States.

At a time when most of the party's constituencies are mobilizing against Volcker's high interest rates, for the chairman of the Democratic National Committee to engage in personal profiteering from the Federal Reserve's policy, explains Manatt's otherwise seemingly irrational refusal to respond to the initiatives of leading Democrats against Volcker.

On July 28, Sen. Lawton Chiles, a Florida Democrat, introduced an amendment to the tax bill condemning the high interest-rate policy of the Federal Reserve. The Chiles amendment passed the Senate by a vote of 100-0. Two days later, on July 30, Sen. John Melcher, farm spokesman and Democrat of Montana, introduced a joint House-Senate resolution (S.J.R. 104) that, if passed, would force immediate White House action to bring down interest rates. Besides Melcher and Chiles, Democratic Senators Sam Nunn (Georgia), James Sasser (Tennessee), John Stennis (Mississippi), David Boren (Oklahoma), J. J. Exon (Nebraska), J. Bennett Johnston (Louisiana), David Pryor (Arkansas), and Edward Zorinski (Nebraska) have all taken leading actions against high interest rates.

In the House of Representatives, Texas Democrat Henry Gonzalez on July 31 introduced two pieces of legislation (H.R. 1520 and H.R. 1530) calling for the impeachment of Federal Reserve Chairman Paul Volcker by congressional resolution and, in effect, the repeal of the 1913 Federal Reserve Act. The second resolution partially removes jurisdiction by virtue of the Federal Reserve Act from the Federal Reserve to the Department of the Treasury. The introduction of the Gonzalez resolutions followed by three days the overwhelming passage (by a vote of 403-17) of House Concurrent Resolution No. 160, which begins: "It is the sense of Congress that current interest rates are needlessly and destructively high."

While every single Democratic senator and almost all representatives in Washington were casting their vote against Volcker's policy, **Lyndon H. LaRouche**, who first began campaigning nationally in the Democratic Party against the Federal Reserve's high interest-rate policy in October 1979, issued a public call on July 30 for banker Manatt to convene an immediate "war council" of the Democratic National Committee (DNC) and the leaders of Democratic Party-associated political action committees (PACs), in order to plan a full-scale Democratic Party mobilization against Paul Volcker's high interest rates. In his public call, LaRouche wrote:

This is the time for banker Manatt to cease his stonewalling opposition to the rising hue and cry against "Hooverization" of the United States by Volcker's monetarist policies. Clearly, banker

Manatt must be forced to recognize the lessons of the votes against high interest rates by both branches of the Congress.

Charles T. Manatt, at the time in final negotiations for the \$65 million in flight capital from Italy to his First Bank of Los Angeles, will receive between \$38 and \$40 per share for up to 1.7 million shares, *pending approval of the various banking regulatory bodies*. Manatt's bank, with about \$300 million in assets, caters to the entertainment industry and the exclusive areas of Los Angeles. The law firm for the bank, itself profiting handsomely for arranging the takeover, is banker Manatt's own firm, **Manatt, Phelps, Rothenberg and Tunney**, which specializes in entertainment, sports and banking law. Fundamental ethical questions arise when an unsavory overseas grouping buys into control of the head of one of America's two major parties.

The shady political connections of the San Paolo Bank of Turin with the Italian Socialist Party raises another question about banker Manatt's chairmanship of the Democratic National Committee. In the few months that Manatt has been chairman of the DNC, the U.S. wing of the Socialist International has had an unopposed field day in infiltrating the Democratic Party leadership. At the very first meeting banker Manatt chaired, three members of the official United States wing of the Socialist International—the **Democratic Socialist Organizing Committee (DSOC)**—were appointed to the Democratic National Committee: **William Winpisinger**, president of the International Association of Machinists (IAM); **Jerry Wurf**, the president of the American Federation of State, City and Municipal Employees (AFSCME); and **Jolene Unsoeld** from the state of Washington. At the second meeting of the Democratic National Committee in Denver, Colorado earlier this summer, Manatt personally intervened to force a new election for state chairman of the Washington state party under rules rigged to favor the challenger, Karen Marchioro, herself formally backed by the local Democratic Socialist Organizing Committee radicals. Not only did Marchioro win under the rules rigged by Manatt, but he has since approved her appointment to the DNC. In banker Manatt's home state, Jacobin Tom Hayden and his Campaign for Economic Democracy (CED) have heavily infiltrated the leadership of the state executive committee. The Socialist International/Harriman wing of the party has been allowed inroads in national and state party appointments—also during the period that Manatt himself was in the final negotiations to receive \$65 million from an Italian bank linked to the Socialist Party of Italy.

Somewhere Americans must draw the line against political corruption; and Democrats must mobilize against not only Volcker's high interest rates but against the personal vested interests of banker Manatt.