

Questions raised on LTCM scandal in Italy

by Paolo Raimondi

On Oct. 16, in the middle of the government crisis in Rome, while the leading international speculative financial interests were still attempting to promote the monetarist Carlo Azeglio Ciampi as the new technocratic Prime Minister, Paolo Raimondi, president of the International Civil Rights Movement-Solidarity, the organization associated with Lyndon LaRouche in Italy, demanded an official investigation of Ciampi and others involved in the crash of the Long Term Capital Management (LTCM) hedge fund.

As Italian media have reported, the Ufficio Italiano Cambi (UIC), in charge of monitoring the monetary exchanges, under the control of the Bank of Italy, participated in the LTCM derivatives speculation with at least \$250 million of Italian central bank official reserves. The legal document (*esposto*) submitted by Raimondi has been sent to the state prosecutors' offices of Milan, Rome, and Naples. At the moment, Magistrate Carlo LaSperanza of Rome and Magistrate Antonio Guerriero of Naples are continuing their investigations of George Soros and others for their role in the speculation against the Italian lira in September 1992, investigations also solicited by Raimondi.

Damning evidence

The documentation reports a number of points proving the responsibility of Ciampi; Mario Draghi, general director of the Treasury Ministry; and Alberto Giovannini, manager of the LTCM hedge fund, in the illegal speculation.

1. Pierantonio Ciampicali, director of the UIC, confirmed in public statements that UIC has acted as a strategic partner with LTCM since 1994. The UIC board which approved the operation in 1994 included: Antonio Fazio, at the time recently appointed governor of the Bank of Italy; Lamberto Dini, then general director of the central bank, and later Finance Minister; Draghi; and others.

2. Draghi, as general director of the Treasury Ministry, has led the efforts on behalf of the privatization and globalization operations which have wrecked the Italian economy. He was the leading actor promoting the total privatization of the Italian state-controlled companies in the famous meeting organized by the bankers of the City of London on Queen Elizabeth II's yacht *Britannia* on June 2, 1992, in the Tyrranean Sea. The event was followed by heavy Soros-led speculative

attacks on the lira which provoked a massive devaluation, making the privatization fantastically profitable for the City of London and other speculators.

3. Ciampi was the governor of the Bank of Italy in 1992, and later Prime Minister and Treasury Minister, i.e., in positions where he personally made the decisions giving the green light to UIC for the LTCM operations.

4. Alberto Giovannini, manager of the LTCM, has been presented by the press, such as the leading economic daily *Il Sole 24 Ore*, as one of the best-known of "Draghi's boys" who participated in the Treasury committee for the privatization policy. Today, he is president of the so-called "Giovannini Group," created by the European Commission for the euro project.

5. According to *Il Sole 24 Ore*, LTCM has accumulated positions for the equivalent of \$50 billion in Italian Treasury bonds, to speculate on the process of convergence of European interest rates. According to the international magazine *Institutional Investor*, as reported by the Italian daily *Corriere della Sera* of Oct. 11, LTCM was heavily involved in arbitrages on Italian state bonds. *Corriere* reported: "In that period the interest rate of the state bond was 1% higher than the rate to be paid for operations on the lira on the European markets. The difference was primarily due to a special tax imposed on foreign investors in Italy. LTCM found a system to make profit on the difference, buying liras on the European markets and using an Italian strawman to operate in Italy."

A 'fortunate coincidence'

According to *Institutional Investor*, to make the operation particularly profitable—it is said for some thousands of billions of lira (billions of dollars)—a fortunate coincidence occurred: The Italian government decided to abolish the special tax, producing a big profit for those in possession of state bonds, LTCM included.

6. Ending the tax was decided by the Treasury Ministry of Ciampi, with a special promotional role for the idea played by Draghi.

So, the circle is closed. On the basis of this evidence, Raimondi asked to see whether the behavior of Ciampi, Draghi, and Giovannini violated a number of laws of the penal code, including Article 501 on insider trading, and Article 30 on overstepping authority.

Following the presentation of the *esposto*, the Movement issued a press release demanding that everyone, starting with Ciampi, involved in the LTCM speculation be barred from holding any government positions. On Oct. 18, a number of press, including the daily *Il Secolo d'Italia*, the organ of the conservative opposition National Alliance party, gave prominent coverage to the Movement's initiative, and endorsed the demand to bar those involved from any political post. It is expected that in the coming days, parliamentary inquiries on the case will be presented on the floor of the Senate and the Chamber of Deputies.