

#23 Jack Blum: United California Bank of Basel

Naomi Fowler: This is the Corruption Diaries from the Tax Justice Network. I'm Naomi Fowler.

Jack Blum: One of the things that was high up on the list if you were looking at multinational corporations and their influence on foreign policy, the role of the major international banks was very important.

Naomi Fowler: Jack Blum's investigations as staff attorney for the Subcommittee on Multinational Corporations and the Senate Committee for Foreign Relations revealed how the international banking system was facilitating crime and money laundering on a massive scale.

Jack Blum: And there had been a number of events that occurred that really exposed the vulnerability of the U.S. system to foreign situations that were really extraordinary and it was important to sort of lay out how all of this was working and who was doing what to who and why.

There were several pieces to that. One piece was the story of the United California Bank in Basel. The United California Bank in the 1970s was one of the very few multi-state U.S. banks because at the time banking had been a matter of state regulation on a state by state basis and you couldn't have branches across state lines. But certain banks had been grandfathered and had that right and United California Bank was one of them. United California Bank was an enormous operation by those standards at that time. And the president of the bank said, well, everybody's expanding in Europe, and we're a big bank and we ought to have an office in Europe too. So, he takes it upon himself to go travelling around Europe to look to buy a bank. He liked the golf course in Basel, wound up buying, uh, a bank in Basel, which then became the United California Bank of Basel. Unbeknownst to him, they had bought a bank that had been a mafia money laundering operation. It had been run very quietly and successfully, but it was a very small bank. And all of a sudden it had access to, you know, billions of dollars in reserves and credit that had never been available to it before.

A fair amount of its money had been in trading. There were two traders who were working for the bank, oddly poetic names of Kuemmerli and Zurmueble. And Kuemmerli and Zurmueble got into trading cocoa futures. What they were doing was they would buy cocoa futures for themselves, then put in a massive order for the bank, watch the price go up, sell their own, and then do it all over again. Because they had access to billions of dollars in credit, in short order they came close to owning 90 percent of the world's cocoa. That was the point at which they decided the game is up, and they checked out and the whole business collapsed, the cocoa prices collapsed, the bank was suddenly in the hole for I think it was 75, 80 million

dollars. And the Swiss announced to the President of United California Bank that if California Bank didn't pay up all the losses, he would be extradited and go to jail in Switzerland. So, the President of United California Bank wound up taking the heat that is, in turn, passed on to the President of the Bank in Basel who indeed went to jail and United California paid the losses and lo and behold, I caught up with the guy who had been president of United California Bank in Basel and he tells me about how the bank had been involved in the mob money laundering and the bank's role had been on a very small scale, relatively speaking, operations and things got out of control and he wound up taking the hit and they never caught up with the traders and on and on with the story.

The president of the bank was a man named Paul Erdman. Paul Erdman was sent to jail in Switzerland but somehow broke out of jail and made it to the United States where he took up residence in Florida. I caught up with him in Florida where he explains all of this to me and we developed a pretty cordial relationship.

I wound up going to the brokerage firm, which was the source of a lot of the money that was coming in from the mob. Uh, that was an experience. That brokerage firm, which no longer exists, uh, was a Wall Street participant and I walked into the offices, the biggest and most obvious item of office equipment in that space were paper shredders. These were people who obviously didn't want a record of what they were doing and, I, suffice it to say they were not terribly cooperative when I arrived asking questions.

Erdman then went on to write a number of novels and, he was quite successful as an author and indeed I have one of the novels he wrote which was, titled, *The Crash of '79*, and in his signing a book for me, he said, if this book isn't a bestseller, I'm going to blame you for the plot!

In that book, Erdman said there would be a financial crisis in Europe because Italy would be defaulting on its debts, but it was always a perpetual cloud hanging over the international financial system because nobody could figure out how Italy was able to pay off any debt. The Italian economy, for traditional economists, has always been a total mystery. You know, it, it floats, but God knows how!

Naomi Fowler: *The Corruption Diaries* is a production of The Tax Justice Network, made by Naomi Fowler and Jo Barratt. Interviews with Jack Blum were recorded over several days at Jack's home in Maryland by Zoe Sullivan.