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THE ASTONISHING STORY OF THE 'SALAD OIL SWINDLE'

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The great US salad oil swindle was first brought to light publicly, by a strange coincidence, on Friday 22 November 1963: the day President Kennedy was assassinated. From the publicity angle, its full dimensions were overshadowed by that momentous event, but there is no doubt that its impact, which lasted several years, was comparable with the great Wall Street crash 35 years earlier.

An extravagant claim? The eventual losses were beyond precise computation, but must be placed conservatively at around $200m, spread over some 51 major banking and brokerage concerns in the USA and Europe, a number of which were bankrupted in the process. So analogous was the 1963 collapse to that of 1929 that one thing is clear: whatever lessons were learnt in the 20s and 30s were forgotten by the 60s.

It is this fascinating question of whether there is in fact any benefit in hindsight, whether lessons of this order are ever really learnt, that makes it worthwhile reconsidering the salad oil swindle from our present vantage point; we may then discover whether it is merely the appearances that alter from generation to generation – the essential and causal ingredients remaining unchanged.

Ingredients of what? Let me quote from the last few lines of Norman Miller's penetrating analysis of the case: *'Viewed in a broad context, Tino's success as a master swindler was another indictment of the ethics of a vast segment of business. He flourished only because bankers, brokers and businessmen thought his success was to their advantage. The reason they were convinced that Tino's deals were good can be stated in a word – greed'.*

At a time when our normally unshakeable faith in the ability of the system to transcend all political and economic setbacks is at an unusually low ebb; when standards of morality in public and business life are seen to be eroding in a seemingly inexorable slide; when disclosures of flagrant bribery at international government level are sanctimoniously wafted away as 'necessities of modern business conduct', it is clearly relevant to have another look at the incredible world of Tino De Angelis and the business circles in which he moved in such unencumbered style. The story is a narrator's dream – it speaks for itself.

Tino De Angelis was a thoroughly unimpressive figure. His height and his girth were of comparable dimensions, he wore black-rimmed spectacles on his bland moon face, and nothing in his crumpled attire suggested a position in life more edifying than that of a pizza cook. Yet from early on it was clear that his driving ambition would lead him to great exploits.

He was born in the Bronx in 1915 of immigrant Italian parents who arrived in the New World at the turn of the century. His first experiences of free enterprise in action took place in the meat business where, by sheer industry, he rose through the ranks to become manager of

200 employees at the age of 20. After three arduous years, now married with a young family, he commenced business on his own account, borrowing $2,000 to get started. Within a further three years his firm was cutting up 3,000 hogs a day, and making an annual profit of $300,000. The key to his success in the meat trade lay in his simple observation that it was more economic to slaughter in the Midwest and transport frozen meat, than to follow the traditional practice of shipping live animals to the East for slaughter.

But even in those early days, questions concerning his character arose. He avoided the draft during the war because he was a major pork supplier to the army, but subsequent credit reports alleged that his wartime success was based on black market sales; charges, however, were never brought. Another accusation concerned the export of sub-standard cooking fat to Yugoslavia, for which offence he was obliged to pay $100,000 in damages. Undaunted, he acquired control of the Adoph Gobel meat-packing company, whose shares were listed on the stock exchange, and began supplying smoked meat under the government-aided school lunch programme. Allegations of inferior products and short-deliveries poured in, and further damages of $100,000 were paid. This, in turn, was followed by SEC allegations of understated losses in Gobel's published accounts, and the company was put into SEC-managed bankruptcy. Then another Angelis company was accused of exporting inferior lard to Germany, and 'the usual' damages of $100,000 were paid. His rise to the top over the next six years was thus hardly lacking in warnings to all who did business with him.

With a newly formed company, Allied Crude Vegetable Oil Refining Corporation, and $½ m in capital, he took advantage of the US government's 'Food for Peace' programme, which was designed to subsidise the export of major crop surpluses, including edible oils, by private US companies. Allied operated from Bayonne in the New Jersey docklands, with a leased 'farm' of old petroleum tanks which Tino (plus 22 loyal cohorts from his Gobel company) proceeded to convert into suitable edible oil storage containers.

Business thrived from the start. Although Tino was competing with the Midwest giant oil crushers, his crude oil offer bids always beat the opposition, while his low refined oil selling prices, with uncanny precision, clinched the export order every time. So impressed were the large East Coast oil export companies that they bought all their refined oil from Allied, and also agreed to use his storage facilities at Bayonne. Tino was effectively eliminating their biggest opposition in the Midwest, and they agreed to lend him millions of dollars to finance further expansion. Eventually, even the Midwest crushers gave up and decided to join him, his buy and sell pricing defying all opposition; and they too took advantage of his conveniently situated storage facilities. No one could fathom how he made any money out of these deals, but it suited them not to dig too deeply. Their export business was thriving and they welcomed the interest he paid on their loans.

However, as seemed inevitable with Tino, there were alleged frauds. These included falsified shipping papers under the Food for Peace programme; $1.5m of personal income tax evasion; and fake inventories at Gobel. The first two were dealt with by out-of-court settlements, and the latter charge was dropped when the key prosecution witness mysteriously changed his mind about his evidence and suffered a prolonged bout of 'assisted' amnesia.

There were also allegations of underworld connections. Cosa Nostra hoodlums with colourful names like Leo (The Mouse) Rugendorf and John (Donkey Ears) Wolek were said to have direct connections with Tino's partner in one of his Chicago companies. The company was consequently refused a fat-processing licence by the Chicago police department.

Despite Tino's record and shady connections he was never short of business associates. Whenever allegations were raised, he would blame his 'enemies' in the Agriculture ministry, or the Spanish Catholic Opus Dei organisation. But as long as Tino was assuring the major export companies of large revenues, he could avoid direct dealings with all official government agencies anyway: the exporters obtained the Food for Peace contracts and Allied supplied the oil. While the profits rolled in, the respectable businessmen with whom he dealt were prepared to overlook: (a) his credit reports; (b) the fact that major banks refused to open an Allied account; (c) his considerable record of offences; and (d) the disinclination of several foreign countries to accept his oil due to its inferior quality and packaging. (Coolies in Madras, for instance, had refused to carry the leaking cartons of rancid oil.)

On his domestic front, Tino appreciated the importance of ensuring the loyalty and devotion of his key assistants. Some of the 22 'old faithfuls' held eminent positions at Allied, while others played no obvious role, except that Tino simply liked to have them around. But they all responded to his every wish without question – hardly a surprise considering each and every one of them was paid exactly $400 per week, and most drove Cadillacs paid for by the company; not to mention the fringe benefits which, to put it mildly, were liberal.

When it came to obtaining favours in any quarter, Tino behaved like an automated cash dispenser; during the first four months of 1963, 'petty cash' cheques totalled £458,000. A demonstration of his method took place during a visit to Bayonne of a Pakistani businessman who threatened to raise the roof over several drums of oil shipped to his country which turned out to contain seawater instead. Tino simply passed him a fat envelope whose contents amounted to several thousand dollars; the contented gentleman left, promising to buy from Allied again! To quote Tino himself on the incident: 'You know – it was a petty larceny way of having to do business in the world today in some places'.

The US government's programme of Food for Peace had the effect of perpetuating, through subsidy, domestic crop surpluses, and was one of the major keys to Tino's prosperity. The oil exporting companies would not readily accept the currencies of the underdeveloped importing nations, so the deals were underwritten by the government out of taxpayers' money. However, only authorised companies exported under the scheme and Allied was not one of them – but the bulk of the revenues finished up with Allied anyway, since it was the largest refined oil supplier to the exporters of 85% of the programme.

Several banks, too, were heavily involved in the cut-throat commodities business as lenders, with the goods invariably acting as collateral. Millions were loaned in this way, on the strength of certified 'warehouse receipts', an ancient and obviously sensible banking practice. With substantial sums habitually tied up in inventories until they are sold, a solution to the cash flow problem is to borrow by pledging the inventories. The banks universally insist, however, that warehouse receipts should be issued independently by a specialist storage company whose responsibility it is to safeguard the goods, and to issue the receipts to banks or others as security for their loans.

A variation of this practice is for the storage company to establish a 'field warehouse' on the property of the borrowing company. In practice, the field warehouse may simply be a section of the normal warehouse facility; in effect, the warehousing company merely places its own name on the particular storage area. It was also common practice, for the warehousing company to 'co-opt' certain of the customer's employees onto its own payroll. As one field warehouse company's promotional booklet put it: 'Our desire is to avoid any disturbance of the routine operating procedure'.

The security defects in a system of such contrived independence are glaring. Since the warehousing company charges for the salaries of the guards it co-opts, their removal from the original payroll is purely notional. Warehouse receipt frauds, not surprisingly, were by no means unknown before Tino's crew entered the arena; yet the lending banks displayed an irresponsible degree of laxity in this direction. Anyone who at that time unsuccessfully approached a bank for a relatively small personal loan would have been staggered at the casual manner in which the same bank happily parted with millions of dollars on the strength of a piece of paper claiming that goods, which it had never seen, existed in a warehouse – so tempting was the bait of lucrative loan interest. It was precisely this blinkered unconcern that Tino so shrewdly observed, and then exploited.

Tino's big break came in 1957 when the chief executive of the field warehousing subsidiary of American Express, Donald Miller, was searching for a new and lucrative operation in which his loss-making company might engage. The American Express parent had set a $0.5m profit target for each subsidiary activity but, despite a heavy sales drive by Miller, American Express Field Warehousing was still losing money. Then one of Tino's cousins called on Miller, turned on the charm and showed him round the impressive new Bayonne refining plant.

The results of Miller's enquiry into Allied's background would have deterred anyone less hungry for earnings. It was obvious to Miller that with Tino's record Allied had no direct access to normal credit facilities. But Tino had openly pointed out to him that bank money would find its way to Allied via the large and eminently respectable export companies, who were perfectly willing to lend on the strength of warehouse receipts, provided they were issued by a reputable warehousing company. They, in turn, would obtain bank loans covered by their oil in Tino's tanks, as certified by the irreproachable American Express stamp.

Could the bank decline? Hardly, considering the multi-million dollar business they were already doing in American Express travellers' cheques, all supported by deposits, of course. So Tino was the catalyst in a carefully structured arrangement which ensured that he was the chief beneficiary.

Although from time to time Miller had to deal with rumblings about the total ineffectiveness of the periodic inventory checks, as well as unauthorised movements of oil in his company's section of the tank farm, it was not until mid-1960 that the first real alarm bells sounded.

A mysterious telephone caller named Taylor, who claimed to be on the Allied night shift, warned Miller on several occasions that 'the biggest hoax ever pulled is being pulled on American Express because there is in fact water in the tanks, and we are counting it as oil'. The caller demanded $5,000 for more specific information, and although Miller made no promises he managed to obtain a few details. Taylor claimed, as an instance, that in the largest tank, number 6006, a metal chamber had been constructed, immediately beneath the sampling hole. *'Whenever we went to take inventory at that tank' he confessed to Miller, 'we would be dropping the weight into this metal chamber which was filled with soybean oil, but the balance of the tank had water in it'.*

Miller immediately ordered a surprise inspection of the tank farm, which lasted a week. On the first day, a Saturday, the inspectors found water in the first five tanks they checked. When they returned after the weekend, however, nothing suspicious was found in the other 65 tanks. The sampling devices collected a cross section of each tank's contents, which were then sent for chemical analysis – unbelievably to Allied's own 'chief chemist'. Miller felt 'Allied ought to know what was in their own tanks', he later testified. The report on tank 6006 was 'inconclusive, since there were a number of sampling holes on top, and the inspectors were directed throughout the investigation by one of Tino's faithful lieutenants. The water in the first five tanks was officially attributed to 'broken steam pipes'.

Taylor's allegations were brushed aside as 'fantastic'. Yet, more than three years later, after Allied had gone bankrupt, inspectors opened up the main tap on tank 6006 – which was supposed to contain $3.575m work of soybean oil – and seawater poured out for twelve days. The tank's floating roof sank lower and lower until the false chamber, welded to its underside, and containing a few hundred pounds of soybean oil, came gently to rest on the bottom of the tank.

The obvious truth (for anyone who cared to look) was that Tino pledged warehouse receipts ad lib and retained just enough oil in his tanks to meet known physical demands – the same principle whereby banks retain in the till only the cash needed to cover anticipated calls. His tanks were interconnected by a complicated network of pipes; were rigged with false compartments and top-to-bottom 'sampling' tubes. He knew that he had little to fear from the casual American Express inspections.

In fact, he went still further and enlisted the services of the Harbor Tank Storage Company to run another field warehousing operation over a further 41 tanks in the Bayonne tank farm. So eager was Harbor Tank to oblige that they neglected to so much as check whether Allied had leasing rights over the tanks. Even a cursory check would have shown that of the 41 tanks in question, 23 were in fact already leased out to petroleum storage companies, seven were literally falling apart and unfit for use, one was non-existent, and only 10 were legitimate. The notional capacity of the Harbor Tank complex was a stock of 412 million pounds of oil – 393 million more than the actual contents which emerged from the 10 genuine tanks in 1963! Tino, as usual, arranged for a senior member of his '22 club' to 'assist' the Harbor Tank personnel who, on their own frank admission, 'knew nothing about the oil business'.

Of course, there was only a limited amount of oil to begin with at Bayonne, and so the main task was to convince the slack American Express checkers that the tanks were really full. In effect, one of Tino's henchmen would provide the 'numbers' required for each category of merchandise *in advance* of each Friday's official 'stocktaking' and on the Saturday the genuine stocks were checked by Allied's own staff. This enabled them to ensure they held sufficient quantities of oil to fulfil actual order requirements when they arose. One such typical 1961 accurate inventory disclosed 62 million pounds of oil – against outstanding warehouse receipts of 157 million pounds.

Allied staff had to become increasingly more resourceful, however, as the quantity of phantom oil on the records rose higher and higher. On one occasion in 1960 the warehouse staff were suddenly given four days' leave. When they returned several tanks, which they knew to be empty when they left, were brimful with seawater. Everyone knew about it; even the dockland taverns were buzzing with the information. Many of the staff were worried, and later admitted that they were looking for other jobs – but Tino's policy of paying twice as much as anyone else worked like a charm, just as he intended: they stayed on and kept their mouths shut.

Had Miller, at that time, read the statistical report published by the US Census Bureau, he would have observed that the oil supposedly stored at Bayonne, and supported by his company's warehouse receipts, *totalled twice as much as all the oil in the country!* So blind was Miller's trust in Tino that he even arranged the ultimate coup: a loan of $600,000 for Allied from his own parent company, American Express. The security? Need you ask? Tino provided them with one of their own phony warehouse receipts as collateral!

By the close of 1963 the warehouse receipts in issue represented close on 937 million pounds of oil (worth $87.5m); the actual quantities were below 100 million pounds. If a 10% 'liquidity' radio was good enough for the big banks, it was good enough for Tino!

It was his pride that ultimately proved to be his downfall. He lost (through the intrigues of his old enemy, *Opus Dei* – he claimed) a large and valuable Spanish export order in the Autumn of 1961, against the execution of which Allied had bought heavily in the oil futures market – not surprising, since there was not enough genuine oil at Bayonne to fill even one-fifth of the 275 million pounds order. Not content to withdraw quietly, he held onto the oil futures, so sure was he of finding a foreign buyer to step in. The risks implicit were enormous: $18m would be needed if Allied had to take up the contract, while even a half-cent-per-pound drop in price at any time before delivery date would mean finding $1m within 24 hours in order to meet the commodity exchange margin requirements. To make matters even more risky the official export market reports were the most pessimistic in years. (Tino actually believed that even the market reports were deliberately fabricated by his 'secret enemies' and refused to give them any credence.)

Thus began a prolonged and sustained programme of futures buying, such as the commodity exchanges have never witnessed, either before or since. Not being an exchange member, Allied did its buying through as many different brokerage houses as would take on its business. This gave the impression (needed to push up the prices) that demand was coming from several sources, rather than a purely solo effect from Allied. Several brokers, such as

Merrill Lynch, would not touch Allied because of Tino's criminal and bankruptcy record, but some three or four others succumbed to the temptation of the rich commission pickings provided by Allied's futures spree.

Despite the strenuous efforts of Tino's overseas sales team, no foreign Food for Peace orders came in to justify the heights to which the brokers, acting on his instructions, were driving the prices of soybean and cottonseed oil futures. He spoke confidently about heavy demand from Poland, Yugoslavia, Pakistan and Egypt: even though there was some substance in these stories, the precariousness of Tino's position should have been obvious: a company buys futures as a hedge against firm orders, not hopes for orders. The Chicago Board of Trade and the Commodity Exchange Authority investigated his position in the spring of 1963, and found that he had inadvertently but illegally traded with himself in an apparent effort to avoid taking delivery of future orders. Tino was suspended for 30 days for violating the 'fictitious trading' rules. But such was his momentum, so great were the commissions on his deals, and so weak were the rules against price-rigging by creating a 'corner' in the market, that Tino's buying surge continued unabated.

In May 1963 Tino persuaded one of the largest and most respectable firms of Wall Street brokers, Haupt & Co, to trade for him on the large New York Produce Exchange. Haupt was itself planning expansion and despite early misgivings, was ensnared by the tempting commissions.

Market reports became still gloomier with news of bumper foreign crops, but Tino was undeterred. Each time prices dropped Allied had to pay cash to cover the margins. Money was also needed to cover the losses of all the friends and associates whom Tino had persuaded to speculate on his behalf. Although he was issuing warehouse receipts at an alarming pace, still more money was needed. The tempo of the fraud took on new dimensions.

Tino arranged for an insider at the Bunge Corporation, one of the largest oil exporting companies, to hold back Allied's interest cheques, while recording the receipts as having been deposited. Given the size of the loans this saved a fortune in further interest charges. Further, Bunge often sold to Allied warehouse receipts which were registered with the commodity exchanges, since the latter insisted upon these to support the maturing futures contracts. Bunge would not accept payment for these registered receipts in the form of cheques drawn on Allied's own North Bergen Bank, but insisted on payment by cheque drawn on a major New York bank.

The normal practice was simply for North Bergen to advise its New York correspondent, Manufacturers Hanover Trust (MHT), to issue a 'cashier's cheque' to Bunge – transported by Allied messenger, of course. To suppress the MHT cheque would have been no use, since MHT charged North Bergen as soon as the cheque was issued, and North Bergen debited Allied. So Tino's insider at Bunge, once the pressure was on, would take the official MHT cheque (rarely less than denominations of $1m) to the mens' lavatory, and pass it back to Alllied's messenger in exchange for an ordinary Allied cheque, which would then lie indefinitely in the insider's desk drawer – the Bunge records showing that Allied had settled. The messenger would then return, as unused and not required, the MHT cheque to source – 15 minutes after it was first issued! When Allied went bankrupt, 26 such cheques were found in the insider's drawer.

Tino's mad buying had pushed prices so high that his actual chances of gaining export orders were all but extinguished anyway. Nor did anyone take the trouble to notice that he would hardly have needed all that oil if his tanks at Bayonne held what had been pledged by the American Express and Harbor Tank warehouse receipts. On paper, in late 1963, his holdings at Bayonne and in the futures market had mounted to 2 billion pounds – more than the total ever exported from the USA in a single year. The position was clearly desperate; the slightest drop in the price of oil futures, which were now under very strong pressure, would result in staggering losses. He had fallen into his own trap and was forced to keep up the senseless buying.

Meanwhile, Howard Clark, President of American Express, discovered that Donald Miller of his warehousing subsidiary had purchased 1,000 shares in Gobel, still listed on the stock exchange. Incensed with this breach of the group's 'conflict of interest' rules, and disturbed by comments surrounding the ineffectual nature of stock control at Bayonne, Clark ordered a thorough investigation by Haskins & Sells, the parent auditors, as a prelude to selling the subsidiary.

They caused no problems for Tino. Here is their report: *'We found that the plan of organisation provides for the usual segregation of functional responsibilities as between operating and accounting departments; the existing system of authority and record procedures provides reasonable accounting controls; sound accounting practices are being followed, and the quality of personnel appeared commensurate with assigned responsibilities.... In our opinion, on the basis of our review, the system of internal controls of American express Warehousing is satisfactory'.*

The prospect of the sale of the warehousing company, at the same time as his most urgent need for cash, caused Tino to throw all caution to the winds. He stole a pad of blank American Express warehouse receipts and proceeded to flood Wall Street with a deluge of fraudulent paper.

Haupt, the brokers, were so enchanted with the unprecedented commissions they were earning on the oil futures deals that they obligingly loaned Allied $2.5m, also on the strength of warehouse receipts, and agreed to forego the requirement for Allied to pay cash to cover margins. Haupt met the exchange margin requirements itself and borrowed from its own bankers in turn – once again using Tino's 'do-it-yourself' warehouse receipts as collateral cover.

The end had to come. In November 1963 the exchanges and government commodity agencies finally realised that no-one wanted the oil at the astronomical prices to which Tino had driven it; and alarm began to spread among the brokerage houses when they realised (a) that they were all buying for Allied rather than for independent purchasers, and (b) that between them they held, all on behalf of Allied, 90% of all the contracts on the Exchange.

A Commodity Exchange Authority investigator marched in on Tino and demanded to inspect his records. The buying suddenly stopped; Tino's brokers stood on the exchange floor, awaiting his usual late afternoon buying instructions, but the telephone was silent. Prices plummeted, and by the following week Allied was in the hands of a bankruptcy trustee.

Haupt struggled to muster enough funds to cover its commitments, but failed, bankrupting all of its 15 partners overnight. Bunge presented the Allied cheques in desperation, but they bounced the same day. And everyone started scrambling for the oil.

The prolonged legal in-fighting and bitter wrangling that followed the collapse of Allied involved: the wide range of banks who found themselves holding worthless warehouse receipts; the brokerage houses who had covered Tino during the futures adventure; the export companies whose stocks of high grade oil turned out to be either non-existent or pledged to holders of warehouse receipts executed without authority; and, of course, American Express who, despite early protestations of full settlement in order to preserve the quality of its name, placed the warehousing subsidiary into bankruptcy and proceeded to play the game remarkably close to the legal rule book – especially when its insurers started reading out the small print on non-disclosure and misrepresentation of material facts.

But the acrimonious aftermath is really another story. Even Tino managed to avoid being brought to justice for almost two years, after which he was awarded 10 years for his pains. None of the subsequent scrambling helped to bring back the money. What Tino did with all those hundreds of millions of dollars was never fully accounted for, so ineffective, almost non-existent, were Allied's accounting records between 1960 and the collapse three years later. The bank's records simply showed that the money went out as fast as it came in – often through another company in the complex group which Tino had set up; or, equally often, via cheques drawn for cash.

What of the oil? The Wall Street Journal on December 2 1963 reported the swindle, and stated that the missing salad oil would never be found for one simple reason: it did not exist.

What is one to make of this phenomenal story? What questions, let alone answers, does it prompt which are equally relevant today? Certain, almost incidental, morals may obviously be drawn: the management of the earnings hungry company will turn a blind eye and a deaf ear whenever its position is seriously threatened by unpalatable warning signs. It is true that without profits there is no business; but that does not justify making profits the only measure of a man's value to a company. Take Donald Miller, senior executive of the American Express warehousing subsidiary; he was measured by his company's revenue account, and this system 'breeds a pursuit of the dollar by any means, and thus may destroy ethics', to quote author Norman Miller. Tino always sensed, and fully exploited, this vulnerability of senior and middle management areas.

What about Allied's own auditors? They never featured at all. Allied was a private company with Tino as the main shareholder, and was not subject to SEC regulation. Unless one were looking for yet another scapegoat, it is obvious that any attempt at a meaningful enquiry by its auditors would have been a waste of time. Why should they, after all, have had less trust in independently certified commodity receipts carrying the American Express provenance, and based on procedures approved by their auditors, than, say, the Chase Manhattan, First National City, Bank of America, Schroders or Hill Samuel – all of whom were included in the 51 institutions which lost money when Tino's bubble burst?

Bunge attempted, at times, to ensure that its oil was safe: for instance, four tanks in the American Express section were earmarked for their exclusive use. Yet they encountered insuperable difficulties each time they attempted to verify actual contents. In the cold months contents would solidify, making normal sampling procedures impracticable; and when the contents were liquid it was only with the greatest difficulty that precise chemical analysis of the category, grade and quality of the particular edible oil could be determined – even by experts. These difficulties were compounded by two further factors: (a) it was a simple matter to open the interconnecting valves and oil would flow from one tank into another at a remote corner of the mazelike Bayonne farm, and (b) it was impossible in Tino's set-up ever to feel sure of where staff allegiance lay. Tino was fast with the dollar – many dollars, in fact; and when enough people are involved, apparently outrageous practice all too easily becomes a way of life.

But the saga's real message is discovered only when one stands back from the scandalous mechanics of Tino's gorgeous charade and adopts a broad view. What one then sees is that Tino was not in the oil business at all. He was in the money business. The oil merely provided the notional backing. Bank money manifests in notes and coin, treasury bills, letters of credit, travellers cheques, money orders, etc – Tino's money took on a more straightforward and consistent appearance: American Express and Harbor Tank warehouse receipts. It was certainly not the absence of oil that ultimately defeated him; that part of the swindle was brilliant in both conception and execution, and was virtually self-perpetuating – as long as there was enough in store (a) to maintain the trust upon which each and every credit system ultimately rests, and (b) to meet such actual delivery commitments as arose in the course of trading.

It was the speculation in oil futures which proved to be his downfall. He was convinced that that too was a self-perpetuating cycle, as follows: he called the prices; the prices bolstered the value of his phantom inventories; the inventories provided the substance for the warehouse receipts; the warehouse receipts provided collateral for unlimited finance; the finance supported the oil futures deals; the deals determined the prices... isn't this where we came in? A myth supporting a myth supporting a....

Putting it bluntly, Tino, with his Bronx background and blackened record, had ingeniously discovered a method of having the pillars of the commercial and financial establishment print money to order, for the sole benefit of himself and his loyal and trusted circle.

His system was beyond audit. Does the auditor of a bank verify the worth of the substance which the notes and bonds purport to represent? Does it matter, for example, that part of our money in circulation is financing the national debt, which will never be repaid? What should the auditors say about that? As long as the currency is trusted – nothing. On this basis Tino's currency could have carried on almost indefinitely, since the widespread faith in the establishment's paper was effectively conferred upon Tino.

Looked at in this way, even his theft of the blank pad of American Express warehouse receipts was less horrific than might at first appear: he merely borrowed the printing press for a while!