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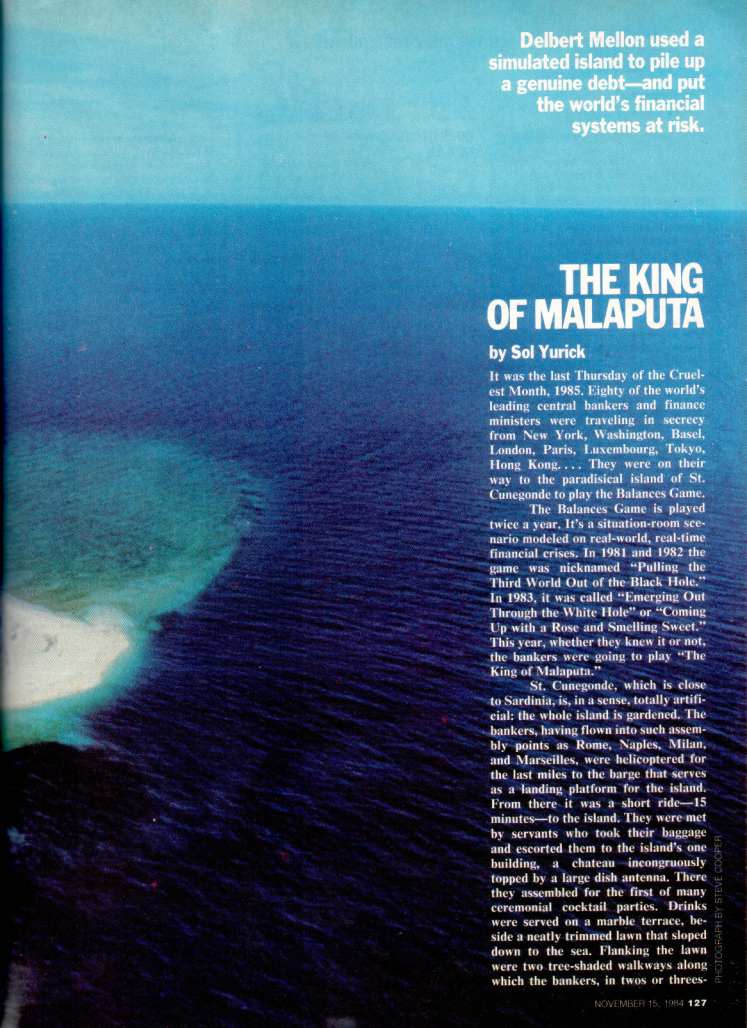
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## BRANCH OFFICE MICROCOMPUTING

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THE KING OF MALAPUTA







Delbert Mellon used a simulated island to pile up a genuine debt—and put the world's financial systems at risk.

## THE KING OF MALAPUTA

by Sol Yurick

It was the last Thursday of the Cruellest Month, 1985. Eighty of the world's leading central bankers and finance ministers were traveling in secrecy from New York, Washington, Basel, London, Paris, Luxembourg, Tokyo, Hong Kong, . . . They were on their way to the paradisaical island of St. Cunegonde to play the Balances Game.

The Balances Game is played twice a year. It's a situation-room scenario modeled on real-world, real-time financial crises. In 1981 and 1982 the game was nicknamed "Pulling the Third World Out of the Black Hole." In 1983, it was called "Emerging Out Through the White Hole" or "Coming Up with a Rose and Smelling Sweet." This year, whether they knew it or not, the bankers were going to play "The King of Malaputa."

St. Cunegonde, which is close to Sardinia, is, in a sense, totally artificial: the whole island is gardened. The bankers, having flown into such assembly points as Rome, Naples, Milan, and Marseilles, were helicoptered for the last miles to the barge that serves as a landing platform for the island. From there it was a short ride—15 minutes—to the island. They were met by servants who took their baggage and escorted them to the island's one building, a chateau incongruously topped by a large dish antenna. There they assembled for the first of many ceremonial cocktail parties. Drinks were served on a marble terrace, beside a neatly trimmed lawn that sloped down to the sea. Flanking the lawn were two tree-shaded walkways along which the bankers, in twos or threes-

PHOTOGRAPH BY STEVE COOPER

## "We are more than banks: we are communications companies, we are clocks."

promenaded. Concealed speakers filled the air with music.

High technology notwithstanding, these meetings had ancient ritualistic conventions said to have begun with Renaissance bankers. They all knew one another, and each player made sure he talked to every other player. According to protocol, they began by asking about one another's families, then they traded financial gossip, and then they moved on. "A frank and open exchange of views" was the rubric they used. Pumping one another for information was another way of looking at it. It was possible to be honest—well, about 75% honest. While they all had a common interest, their theories about the way the world's monetary problems should be solved and their competitiveness ensured exciting play. Roughly speaking, they could be divided into two factions: free traders and regulators.

Mr. Clitson of the Civei Group, in contention for the title of largest financial institution in the world, gravitated to Mr. Sasagawa of the Röichi, who, seeing his old friend, turned away from Mr. Portinari of Banco Spirito del Valore e Lavoro, to greet him. They had met under regrettable circumstances 42 years before.

"How's your health?" Mr. Clitson asked, for Sasagawa had been wounded on Guadalcanal.

"Except for minor complaints, it's fine. How's yours?" For Mr. Clitson had also been wounded on Guadalcanal. It was their conceit that they had personally duled and wounded one another. That they were now talking in these luxurious surroundings was a sign of the world's progress, the ability of commerce to heal all wounds and do away with more primitive ways of contention. Indeed, there were those whose Balances strategy was to make large-scale war impossible: one or two points of interest can dampen the weapons market considerably.

They talked for a few minutes about investing in a mining consortium in Colombia. Clitson wondered if Sasagawa's bank wanted to participate. Mr. Sasagawa said he found the proposal curious, considering Colombia's debt. Did Clitson know something he didn't?

"Such a beautiful place," Mr. Sasagawa said.

"Very much like Malaputa," Mr. Clitson replied.

"I've never heard of it."

"You will. That's peculiar music to be playing."

"I'm not familiar with it."

"Wagner. *Die Götterdämmerung*."

They separated and moved on.

### COMPUTERS NOT ON ISLAND

Beneath the mansion on St. Cunegonde, a huge cave has been converted, lined, and made into a conference and game center. There are no computers on the island itself. The terminals the bankers use are connected to an array of Crays run by the National Security Agency, which uses data from the world's banking system. Since eminent people do not operate terminals, technicians are flown in every morning. They follow verbal instructions from the main players, who remain free to wander around and make deals and feverish adjustments between sessions.

After an afternoon of medical and psychological examinations (the game is stressful) the 80 players assembled at 10 a.m. the next day in the auditorium, where the briefing was to take place. They sat in comfortable chairs that could recline or swivel. At the side of each chair was a microphone and a small monitor. There was a huge screen behind the speaker's podium upon which charts, illustrations, films, or the latest quotations could be displayed. As they settled into their seats, most of the bankers were conspicuously relaxed, as if they were athletes conserving their energy for the main event.

The first speaker was Herr Von Alberich, the new director of the Bank For International Settlements (BIS), the central banker to the central banks. The players expected him to merely review the usual problems: world debt, political unrest, the danger to international economic stability, the alarming growth of the noncomputable underground economy. They were a bit bored.

The director was a tall, spare man. He was taciturn, and his black eyes glowed with the fervor of the convert. It was rumored that in his youth the director had been a Marxist, perhaps even a terrorist, dedicated to the overthrow of capitalism. No one was sure what had changed his mind. In fact, it was technology that had converted him. At a young age, Von Alberich had learned much of what there was to know about financial networks. One night, from London, he penetrated the SWIFT wires and had a golden, blinding insight. He saw the world's financial condition, laid out like a spreadsheet patient etherized on a table. It was an experience similar to Paul's on the road to Damascus. He saw the light; he understood the ineluctable ways of the Invisible Hand. He defected, changed names and sids. Using connections—his was a prestigious, ancient Teutonic family—he got a job in a bank and worked his way up the ladder quickly.

Von Alberich began with a dry statement, clearing his throat frequently: "Gentlemen, I don't have to remind you of the wondrous works we have wrought in the past 20 years. We are well on the way to solving the mysteries of matter, energy, and life. We have made the transition from a primitive to a modern financial system. The financial markets are indissolubly linked, seconds apart. In a few more years we would have escaped earthly time and had universal, 24-hour trading."

There was a murmur. "We would have?"

"We are more than banks: we are communications companies, we are clocks. And while very few of us are mere computer technicians, we know that the world's financial system is like some vast BIOS. And the accidental conjunction of the acronym BIOS and the word bios, meaning life, is perhaps very much to the point. We—not the politicians, the soldiers—are life itself, the blood, genes, hormones, nerves of the global political economy. And yet our world body is at war with itself."

He shuffled his papers, looked up into space, and cleared his throat. The bankers were getting restless. Mr. Petta-compt, the retired, eminent, and revered emeritus, a man who loathed high technology, muttered to himself. He hated these windy and speculative discussions. You did deals with people, not machines. He wondered if the BIS man had ever really divested himself of his Marxist and regulatory ways.

### "WHAT WE DREAD HAS HAPPENED"

"We live with third world debt from day to day. We face the danger of default. We make technical adjustments and hope they will get us out of this morass. We have stabilized instability: a holding action. But the thing we have feared the most is an intrusion—a break-in by someone who understands finance and computers. Well, what we have all dreaded has happened."

The bankers were no longer bored. "Like some virus, invading a body and changing the DNA microcode, our electronic body has a new Black Plague, a cancer. There is an invisible presence among us today, an intruder, an unholy ghost. A serpent has been sent among us to eat of the apple of our knowledge."

"This is not a game! We have a presentation today. You're ready?" he asked someone offstage. An indistinct reply came, and the back screen lit up.

The first image was that of the head of a man. No one knew who he was. "Meet King Mellon."

## Was Von Alberich, known to favor a regulated world system, setting them up?

The second was of a false-color Landsat image of an almost circular island. "This is the island of Malaputa as it looked three years ago. It is in the Indian Ocean—there's India, and Madagascar. You will not find Malaputa in your atlases. You may, however, find its presence, concealed under many names, in your portfolios. If you tried to buy this image from the EROS center in South Dakota, you would succeed.

"Malaputa is the ultimate free-trade zone, the final offshore platform, the last lawless frontier, haven for the wildest of wildcat bankers. Mr. Mellon has anointed himself King of Malaputa. It also may be said that Mellon is Malaputa."

That brought some murmurs, and a clear voice asking, "What the hell is he talking about?" One of the bankers had forgotten to turn his microphone off.

The third image was a spreadsheet whose numbers kept changing so fast that no one could really follow the figures. A frozen frame showed the bottom line, and

produced a gasp from the audience. A \$120 billion deficit! "This is Malaputa's debt as of half an hour ago."

Another image. Malaputa had grown and was occupying a good part of the Indian Ocean. "This was the island's position as of 1984."

"What position?" demanded one of the players.

"The presentation isn't finished. A little patience," the director of the BIS said. "We have a guest speaker who will brief us further: Mr. Macey from the U.S. Central Intelligence Agency. He joins us via satellite, to give us a little background on this King of Malaputa, Mr. Mellon the First—and let us hope the Last."

The head of a man appeared on the screen behind the director of the BIS. The man was in his fifties, blandly good looking, with one of those intelligence operative's faces that is hard to remember. His eyes were turned downward and he seemed to be reading from a paper, or courting anonymity.

"The information I'm about to give you," he began, "is, of course, highly confidential. It's been collated from a variety of agencies around the world: Interpol, FBI, Deuxieme Bureau, NSA, British Signal Intelligence, CIA . . . ." He paused. "KGB . . . ."

There was an outraged murmur.

"We would like to acknowledge the cooperation of the Union of Soviet Socialist Republics and the People's Republic of China in this emergency situation.

"Delbert Mellon is 42 years old. He's six feet, one inch tall, has black hair. Mellon has a doctorate in philosophy from the University of Texas, specializing in symbolic logic and semiotics.

"Instead of becoming an academic, Mellon went into the Foreign Service and became a low-level intelligence agent, doing economic analysis. His task was to investigate and evaluate the delicate and troublesome offshore banking question from a diplomatic perspective. . . ."

### OFFSHORE BANKING NOT GAMED

More murmurs. Offshore banking and flight capital were not gamed. Who knew how much money passed through these centers? And after all, some of the players had their own money to consider. Was Von Alberich, known to favor a regulated world system, setting them up?

"He was fairly promising. How promising we didn't realize. Mellon might have risen to be a high-ranking Foreign Service officer, even an ambassador, but one day, in 1980, he was invited to play in the twice-yearly political component of your game, which, as you know, is called the Game of the Four Corners. We're assuming that his participation gave him strange and interesting ideas.

"Playing the game Mellon learned that false information could count as real, if people believed in it. He also seemed to understand that at a deep level, machine code could represent any discipline, all knowledge. Simulations of bodies, the cosmos, bank statements, and real estate become the same. Everything converts to everything else. No need to tell you gentlemen."

Some of the bankers had participated in the political game. The results of the Game of the Four Corners created interesting nonbank risks and constraints every banker had to be aware of.

"Mellon quit the service and went to work for a small investment bank in New York. What happened next we're not sure; we don't know what was on his mind, or exactly what he did. But I can offer you a reconstruction.



"How do you do, sir? May I use you for a reference?"

Graham

## Mellon sought safety in debt, believing that if he could acquire enough he would be safe.

"Mellon began to dream two dreams. The first was the perfect offshore facility, the ultimate free-trade zone. Not offshore in the usual sense, on, let us say, an island in the Caribbean. No; Mellon asked himself, 'Why must a financial center be in a place?' He conceived of a facilitation, a financial entity that is pure information in constant motion, one that never comes to earth. The second dream, which was integral to the first, was to penetrate various financial networks and use them as an insider."

"We think he tried to sell his concepts to organized crime. The trouble was that his ideas were too advanced, too abstract. These people are still bound to earth. They carry suitcases full of money. Mellon needed something to show. He found a man named Milton Bimstein, a man who, as far as we can tell, is a kind of information hustler, an ex-poet, a futurist."

A picture appeared. Bimstein was unruly looking, bearded; he wore glasses, a green jumpsuit, and a cap with the word cat on it.

"Bimstein ran a small simulations and consulting company called DBM, for Digitized Byzantine Mosaics. He had contacts in the computer underground, the world of hackers, penetrators, freaks, password thieves, planters of Trojan horses. Among their number were some very sophisticated programmers—people who know their way around many networks as if they were suburban backyards. Bimstein had a different agenda from Mellon's."

Mr. Macey went through a compendium of Mellon's moves. How, after Bimstein had placed the simulation of Malaputa in the EROS files, Mellon bought copies of the island's image and used it to raise money. How the organized crime people, always on the lookout for the perfect laundry, believed they had found it in the Central Bank of Malaputa. How Mellon created a maze of holding companies, trading firms, joint ventures, consortia, all of them apparently based in real places but ultimately dependent upon Malaputian characters seen only by a few data entry clerks.

### MISSION: HACK INTO NETWORKS

Mellon bought equipment—VAXs, IBM mainframes, a Cray—and situated it in a dusty town in Kansas, Josephson's Junction. The complex was staffed by this underground riff-raff, this detritus of renegade programmers, communications specialists—even, I regret to say, a few ex-government intelligence employees. The pay was good but the enticement was even better. We all know that the freaks seek recognition of their genius.

They were persuaded that the NSA had been interdicted by the Soviets, and that the Russian electromoles were using the NSA to destabilize the West's financial networks. The mission of the pseudo-NSA staff was to hack its way into our complex, build up a vast library of access codes, and hunt for signs of the Soviets' work. They insinuated their way into such networks as SWIFT, Fedwire, Euronet, the telex complexes, Intelsat, Citicorp's system, the Bank of England, and many others.

"By this time, Mellon had attracted a great deal of money; you would be surprised at the names of some of the people who invested in his schemes. He traded currency, commodities, everything imaginable. He invented wild new instruments. Mellon was moderately successful, but the scam remained essentially a pyramid scheme, and couldn't continue forever. . . ."

"Bimstein knew this. He also thought he had a solution to the problem, and that the solution would give him power over Mellon. So he secretly started work on the most daring of all these schemes: the perfect automated account, a wise and precise self-trading portfolio. He put his pseudo-NSA operatives to work on the project.

"Now, the time when all markets—stocks, bonds, futures, commodities, real estate, indices, options, insurance, CMAS, time deposits, money markets, treasuries, currencies—will be linked up hasn't come yet. Bimstein had a problem. How could the portfolio trade if it came across barriers? You have to identify yourself to the institution you do business with. A human initiates transactions.

"So Bimstein had his people create intrusive devices—to penetrate other machines, to alter and destroy other programs. Since some financial establishments now accept data instead of actual currency or certificates, Bimstein could move data that were both funds and instructions. What's more, all the verification and paperwork could be done automatically. His programs worked their way from complex to complex, altering them as they traveled. But the trading programs had bugs. Mellon began to lose money at a greater rate. Strange glitches and crashes began to appear. Bimstein had to tell Mellon what he was doing.

"Bimstein disappeared from the face of the earth.

"Now the Malaputa complex faced imminent collapse, which led Mellon to attempt his boldest gambit yet. He sought safety in debt, believing that if he could acquire enough he would be safe. For the really big debtor metamorphoses into a

partner! Therefore it was 'discovered' that Malaputa, which had grown enormously, and was almost a continent, had valuable minerals. Minerals? Mellon had the Landsat photos to prove it, and he borrowed development funds to build an infrastructure. Because Malaputa possessed a viable bank, did business all over the world, paid its interest on time, made loans, had a track record, Mellon could borrow in Hong Kong, Tokyo, Moscow, New York—wherever he wished.

"Still, the day of reckoning was to come, for the penetrative programs that Bimstein had set loose couldn't be stopped. I should say, can't be stopped. They have mutated out of control, and no one knows what they are, where they are, or how they function. . . ."

There was a long pause after the presentation. The image of Macey faded from the big screen.

### ANARCHY, CHAOS AHEAD

Von Alberich spoke into this cathedral hush. "It would take auditors, programmers, and engineers a hundred years to straighten things out—if the situation were stable. We face a crisis of confidence, anarchy, destruction, a black hole, an interregnum that will last much longer than the Middle Ages." Von Alberich intoned the historic and ritual words, "What is to be done?"

Pandemonium reigned. Solutions were yelled out. Some were for getting out from under. Others were for battling this person, this Mellon, this island, this entity, this whatever it was, through the game. There were those who were for letting the free market forces work. Everything would balance out. The weak would go under. Survival of the fittest.

Some of the bankers got up and started to leave. Others followed. It became a panic. It was as if they were fleeing the room, the game itself, as if, somehow, they could be seen, overheard, spied on through the terminals by an omnipresent Mellon. Some ran as far as the sea, and stopped. There was nowhere else to go.

The sunlit air of the Mediterranean calmed them. They began to cool down and stroll, in twos, in threes, in fours, talking the situation over. Von Alberich was surrounded by a vociferous group of 10.

"Why weren't we protected? Why do we hire all these ex-spooks, anyway?"

"Shouldn't we put hunter programs to work?"

"Those measures have been implemented, but what about now?"

"What's the problem? We can always adjust the books."

## His fingers summoned up this New World, raising it from conceptual crypts.

"How long would that suffice?"

"We should never have left the gold standard," Pettacompt said.

"We need a new Bretton Woods, a new currency. We need to start from scratch...."

"Yes, but in the meantime, who's going to bear the weight of this debacle?"

"There must be a technical solution," Clitson said.

"Let me remind you: technical solutions got us into this problem in the first place. That's what comes of placing secrets in the hands of mere technocrats," Pettacompt said.

"A few years of belt tightening and it's all over," Sasagawa told them. "My people are always willing to make sacrifices...."

"We have a golden opportunity before us," Von Alberich said.

"Golden? Seems more leaden to me," Pettacompt said.

"We depose the king.... Well, in fact he's dead," Von Alberich said.

"Dead?"

"Those in organized crime are notoriously short of patience. They don't restructure debt: they restructure bodies."

"Then there's no problem."

"His ghost is the problem; it's haunting the financial networks. But that, too, can be remedied. Gentlemen, I suggest that we freight the world's finances to the blessed island of Malaputa."

"What are you talking about? There is no Malaputa," Pettacompt said.

"There is now. The Central Bank of Malaputa can become the central bank of the world—free at last, free at last from national constraints. It will take time, to be sure, and persuasion, but think of the rewards! One world currency...."

Pettacompt started to object, but Von Alberich anticipated him. "And in the meantime, we, us, those of use who are

here, being in constant touch with one another, might hold things together for a few years until the solution takes...."

"More of your computer...."

"No, sir," Von Alberich said. "By telephone, by personal conferences...."

"Are you suggesting we abandon the technology, go back to primitive ways of doing business?" Clitson asked.

"No. This is, however, an opportunity to retool. A new generation of equipment, new and impenetrable standards...."

"There's always a golden lining," Portinari said.

"At the slightest sign of a break in ranks, everything will descend into chaos," Von Alberich said.

Von Alberich returned to his house overlooking Lac Lemane on Sunday. He had a good meal, talked to his wife, then retired to his office to smoke a cigar before turning in for the night.

Progress had been made. It had taken some doing but the players were finally facing it. They would rise to the occasion. Danger would bring them together, but there was much hard work to be done.

After finishing the cigar, he rose, stretched, and thought he might go to bed. But he turned and sat down at his keyboard. "Let's see how you're doing tonight, King Mellon," he murmured. He began to key. His fingers summoned up this New World, raising it from conceptual crypts.

The vast continent appeared to him in topographic relief. Malaputa. How it had grown. Growing even as he looked—eating money, eating information, eating energy.

Seated in front of the console, Von Alberich looked, as if into a mirror. He saw himself, if a spreadsheet could be said to reflect his living, shifting thoughts. A vast, thriving, amoeboid form, coruscating in color, growing, growing, ever expanding, working to fill the world's informatics system, to become it. Yes, you and me, you, myself, he thought, we'll bring them to their senses, won't we?

The old financial system had died. The new had risen from its ashes. He looked upon his work and pronounced it good. ●

Sol Yurick is a novelist living in Brooklyn, N.Y. He is the author of *The Warriors* and *Richard A.*; among other books, and is a Guggenheim Fellow. This story is adapted from his forthcoming novel, *The King of Malaputa*, which will be published by The Dial Press, Doubleday & Co., New York.

