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EUROPEAN CURRENCY CRISIS
SIGNALS INTERNATIONAL BREAK DOWN

NEW YORK, Jan. 25 (IPS) -- The Italian Lira crisis -- which began when Rockefeller banks and multinationals launched a wave of speculation against the Italian currency in an attempt to force formation of an austerity cabinet in Italy -- has, by the week's end, produced what is unquestionably an uncontrollable situation on the international financial markets. This situation now threatens to turn into a full-fledged chaotic breakdown of trade and finance.

At the present moment, billions of dollars have flown into New York from the weaker European sectors in the elusive search for quick profits. The Banque de France alone has reportedly lost $1 billion in central bank reserves -- approximately one-sixth of its chiefly-borrowed foreign currency holdings -- over the past three days to support the French Franc. The Bank of Italy, meanwhile, has supported the Lira by more than the official $560 million since Jan. 1. Italian foreign currency reserves have eroded from $2 billion last July, to a point of virtual exhaustion at their current $500 million level. The Lira depreciated by a full 12 per cent on the black market last week, at the same time that a full-fledged run on the French Franc and the British Pound also developed.

While the New York Federal Reserve Bank has momentarily calmed the stateside currency markets via unprecedentedly large and frequent interventions, panicky holders of European currencies have moved into such "profitable" short-term outlets as U.S. Treasury bills and stocks of debt-ridden, profitless corporations on the New York and Tokyo stock exchanges. The purchases of $1.8 billion in short-term U.S. Treasury paper last week by the Fed for foreign accounts, although a reflection of the pullout of Arab funds from Europe, hardly reveals the real magnitude of funds flowing into New York.

In conception, this massive flow of funds was intended to provide much-needed liquidity for the New York banking establishment, while at the same time forcing a general wave of currency devaluations in the European sector. The devaluations were in turn to improve the profitability of the generally bankrupt multinational and Eurodollar sector. European workers were to pay for this additional profit margin to Rockefeller through bone-crunching austerity imposed by police state regimes -- most immediately in Italy.

Things have not gone according to plan. The operation, which provoked the shutdown of the Italian foreign exchange and stock markets earlier in the week, has thrown international trade financing into chaos, and created a new pool of speculative, profit-hungry liquidity in New York (where, as is well known, there are no profitable investment outlets) which could flow almost anywhere in the globe at moment's notice -- triggering a new crisis outbreak. It is like a bomb about to explode.

For Italy itself, all foreign currency-dependent trade has become out of the question. So severe is the panic within the country, that all credit spigots have had to be turned off. No one can be sure of the future value of the Lira by the time these debts will come due.

There are also reports that multinational corporations are joining in the panicky flight of capital by delaying receipts on their accounts receivable from abroad and pre-payments on import orders already contracted out.

Chase Manhattan Triggered the Crisis

Both angry Italians and New York financiers made no secret of the fact that the crisis was deliberately provoked to force an austerity government in Italy and devaluation of the Lira.

Mused the Italy desk at Manufacturers Hanover Trust in New York: "Europe has too much trade. The Lira, the Franc are overvalued. Devaluations are good." The consensus among banking circles was: if these European countries are ever going to repay their debts then a military-political solution is the only one that will work. For that, what is needed is a devaluation of European currencies to discourage imports and strong governments of national unity to impose the austerity conditions necessary.

Gabriel Kerekis, a consultant to Salomon Bros. of New York and other New York investment banking houses and an old friend of David Rockefeller, supported a 15 to 20 per cent devaluation of European currencies, triage of European industry and trade, stepped-up conventional arms production, government works programs. "Let's face it, from our side, it will improve liquidity all around -- from your side, it will be very hard on some people," declared Kerekis.

The Italian daily, Il Globo, linked to the Cefis faction of the Christian Democrats, blasted the New York banks for provoking the speculative run on the Lira. This prompted a pro-forma "official" denial of Chase Manhattan's involvement in the affair by the chief of the bank's Italian subsidiary.

Further proof that the operation was run out of New York came when West Germany's Atlanticist Finance Minister Hans Apel, emerged from an emergency session of the West German cabinet and announced that "Italy can take care of itself by itself." In other words, there would be no repeat of West Germany's $1.2 billion gold-collateral loan to Italy of last year.

By Jan. 21, however, the spillover effect on all European