

rate and even stock contracts between national financial markets in the past five years, Lamfalussy warned of the ultimate horror scenario: "In the event of a problem appearing in one institution, other firms would react sharply and quickly. They might rapidly and indiscriminately withdraw credit lines, and even try to unwind existing positions. *All of which would increase the possibility of the sudden emergence of a global liquidity 'gridlock'* " (emphasis added).

Lamfalussy added that the computer revolution and deregulation of financial markets during the past 10 years, starting in New York and London, has added to the danger of such a gridlock.

George Soros and the franc

The man who has made headlines for his claim to have grabbed \$1.5 billion in the collapse of the pound sterling on Sept. 16, New York speculator George Soros, was also at the Frankfurt gathering. Soros claimed to be concerned that the currency speculators had gone too far. At the time, the French franc was under massive speculative pressure, as March elections promised possible policy changes and a non-socialist government. The entire speculative assault on the ERM began sometime last June, following the June 2 Danish referendum which repudiated the European Community's Maastricht Treaty. It was deliberately fueled by Washington and London to weaken the stability of continental Europe and the economic prospects there.

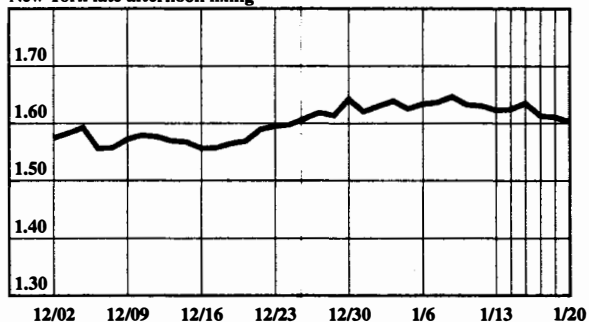
By January, Soros was saying, "If we were to have the free float of the franc today, this would spell the end of the ERM; it would also likely mean the end of the European Community itself. . . . The responsibility lies with the Germans and their high interest rates." Some people in the French government foolishly concluded that the powerful Soros, who is reported to invest for a secretive group including Israeli investors and Marc Rich, the fugitive commodities trader, was backing off. More informed accounts are that he realizes it is unlikely that he can start the same panic in the media against the franc and the French economy that he could against Britain and Sweden. He reportedly is preparing his next speculative assault, using derivatives, against Germany.

But the unspoken secret of the phenomenal success of New York banks and speculators like Soros is not their clever financial computer models, but rather the fact that they are trading on insider information reportedly leaked by the New York Federal Reserve. This is the conclusion of financial sources in Europe. They report that already last June, New York financial investment houses were operating on "good information" that the ERM would collapse into complete anarchy and lead to "free-floating currencies by the end of 1992 or early 1993." Some London banking sources speculate that discovery of unethical leaks from the New York Federal Reserve to key players like Soros or banks like Citicorp or Bankers Trust could be behind the sudden resignation this month of New York Fed Governor Gerald Corrigan.

Currency Rates

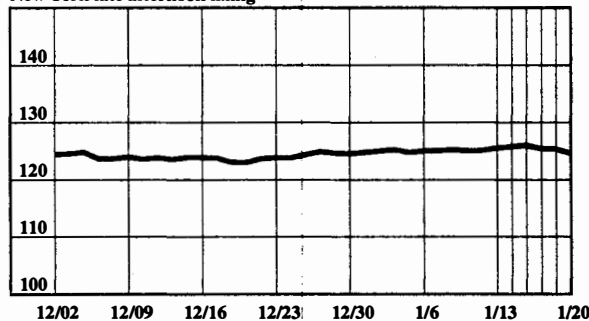
The dollar in deutschemarks

New York late afternoon fixing



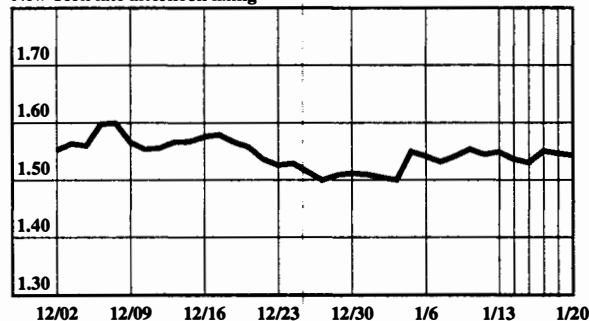
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing

