political economy

Is This The Kreditanstalt?

July 3 (IPS) — The intelligence staff of the International Caucus of Labor Committees is monitoring the world's financial markets hour-by-hour, as the current wave of panic in banking circles threatens to become an an uncontrollable stampede.

Among financiers, the watchword is **Kreditanstalt** — the name of the big Vienna bank which went under in 1931, pulling the rest of European finance down with it. Indications are that the failure of Bankhaus I.D. Herstatt last week in West Germany, an outfit much smaller than the legendary Kreditanstalt, could have the same trigger effect on today's world economy.

At the end of business hours today, this was the world situation:

- West Germany has been the first sector to give way to panic, as the central Bundesbank loosened credit controls for the first time in a year to prevent the Herstatt collapse from reproducing itself throughout the country.
- In the United States, the Rockefeller stranglehold on regional banks has tightened, with a new ruling from Treasury Secretary William Simon that will withdraw government checking accounts from banks' coffers.
- The run on the second string of the Eurodollar market has intensified, with interest rates pushed to record levels and smaller banks drained of cash.
- Duplicating actions by the Federal Reserve and the Bank of England last week, the Bank of Japan tightened its control over the Eurodollar activities of Japanese banks.

Leverage in Reverse

Ten or eleven top international banks lost between $10 and $12 million apiece in foreign exchange transactions with Herstatt last week, when the closure of the bank by the West German authorities interrupted payments across the counter.

But the terror that overshadows these small out-of-pocket losses is that Herstatt is only the tip of the iceberg. At least a dozen large banks are rumored to be on the verge of collapse. These include Fidelity Bank of Philadelphia, First National Miami, Franklin National Bank, and a half-dozen lesser banks in the United States; Italy's two largest banks, Banca Nazionale de Lavoro and Banca di Roma, and others, according to a report Tuesday in the Italian financial newspaper *Il Globo*; and the entire secondary banking group in Great Britain, bailed out under orders from the Bank of England last winter.

If banks of this size fall — their assets number in the scores of billions — the close-knit web of international finance will be ripped apart. The international dollar market contains upwards of $155 billion worth of seven to thirty-day credit, traded continuously between banks, according to the authoritative Bank for International Settlements. Herstatt's puny interruption of this flow resulted in $100 million worth of losses for its trading partners. The same action by the Banca Nazionale de Lavoro, at $22.7 billion — forty times as large as Herstatt — would shatter the Rockefeller empire, along with everyone else.

Panicking, the financial world — from Swiss bankers to Arab oil sheiks — is pullng funds out of banks of middling size, and lining up before the deposit windows of the 20 or so top financial institutions. French press reports indicate that 80 per cent of short-term Eurodollars are flooding this route. In the resulting squeeze, banks offered a record 13½ per cent interest on short-term deposits.

Rockefeller's Plan to Corral World Credit

During the last days and weeks, *New Solidarity* and IPS have exposed the Rockefeller plot to consolidate the mass of international short-term credit in Rockefeller banks, in the U.S. Treasury, and in the International Monetary Fund. This credit would then be used to finance Rockefeller's world Auschwitz "development plan" — the Rocky Mountain workcamps, the Rio de la Plata slave labor project in Latin America, and the "redeployment of labor" in Europe.

Already, the smaller international banks have been driven to the wall. According to reliable sources, the lesser banks are forced to pay about one-half per cent more on their deposits — eliminating the total profit on most of their transactions.

Gutting the World Economy

In fact, what the international money markets have been experiencing in the last two weeks is a sweeping extraction of colossal amounts of funds from the entire secondary banking sector across Western Europe, the U.S., and Japan ... into a tiny handful of "safe" superbanks. This abrupt, massive maneuver has as its immediate result the near-destruction of entire industrial sectors which depend for their financing on this threatened layer of middle-sized private and semi-private banking institutions.

Right now, the entire construction industry of West Germany is experiencing a phenomenal rate of bankruptcies as a result of the credit squeeze: Over one thousand construction companies are expected to go under by the end of the year. Similarly, the Italian construction industry is facing a wave of bankruptcies expected to create an additional million unemployed by late fall.

Agricultural operations, especially in Italy and France, are threatened with interruption as a result of the squeeze. The same holds true for the textile and machine tool industries as well as for less crucial sectors. As the case of the financial failure of the French Citroen auto company should indicate, not even the automobile sector is safe at this point. In short, this massive financial maneuver pulling the rug out from under the feet of the mickeys of the banking world is also ripping the gut out of the national sectors of the European economy, destroying millions of jobs, eliminating housing construction, tearing apart food production and distribution, reducing to shambles the clothing industry. Rockefeller's criminal manipulation of the world money markets is already inflicting massive misery on the international working class and its allies.

In the U.S.

Stateside, the Rockefeller-dominated New York money market — in collusion with the Department of the Treasury under Rockefeller agent William Simon — has declared war on the cash-strapped regional banks throughout the agricultural and industrial belts of the United States. Simon announced July 2 that his department will no longer deposit the collected tax moneys in commercial banks' checking accounts. The elimination of this source of deposits, according to Labor Committee Intelligence analysis, will immediately hurt banks in Philadelphia, St. Louis, Minneapolis, Richmond, and other regional money centers, but will hardly be felt in New York, where the Rockefeller financial power is concentrated.

Meanwhile, according to the admission of a spokesman for Rocky's First National City Bank, supply of credit from New York to the secondary banking institutions in the country's regional center has nearly broken down, leaving financing of industry and agriculture in a desperate situation. Typical of the national picture is the situation in the Midwest where the First National Bank of Chicago, a link in the Rockefeller interests, lends money to its clients at a prime rate of 13 per cent — even though its official prime rate is 11.8 per cent! As a result, dependent banks like Toy National and Security National in Sioux City, Omaha National, Central National, and Harris Trust and Savings are reportedly in trouble.

The surrounding farmer population, dependent on bank credit since dealers pulled out of the business earlier in the year, is in desperate straits. There is already a serious suspension of agricultural operations, as farmers can no longer afford either sky-high prices for supplies or creditors' bloodthirsty interest rates. In addition to suspension of operations, slaughter of cattle, etc., we are also gridding an accelerating trend of farmers mortgaging their property to merely survive — 1920s style.

Playing With Fire

The insanity of the unfolding dramatic developments is capped by David Rockefeller and his international accomplices' wild expectation that they may control ratchet-fashion the collapse they themselves have engineered. Knowing that he doesn't yet have the necessary political muscle — a mass-based fascist party — to straitjacket the massive international upheavals a full scale depression would trigger off, Rockefeller is now shooting for the next best thing: A controlled on-again/off-again succession of bankruptcy waves targeted to pick off a few victims at a time, bring them to their knees, force on them the slave-labor Brazil-style policies he will dictate, and after their complete capitulation let his funds trickle back in under supervision of his own men and institutions — as he is trying to do now in Italy.

The current developments throughout Europe clearly betray this premeditated attempt at ratchet-fashion depression. From both published and private sources, IPS estimates that the Rockefeller faction expects the next ten days immediately ahead to show whether the current wave of collapses will be controlled or not. In the meantime, standby operations to control the flood have been announced both in West Germany and Belgium (but scarcely in the U.S. as of this writing).

German Panic

Today, the Bundesbank reopened its "Lombard" lending window to banks for the first time since July 1, 1973, thus adding a $9.5 billion standby credit facility to the German money market. The "Lombard" credit system, like the discount facility of the U.S. Federal reserves, enables banks to pledge their assets against new cash from the central bank.

In addition, the $20 billion Westdeutsche Landesbank Girozentrale, a partner in David Rockefeller's key international banking venture, protested Monday against the Bundesbank's decision to let Herstatt go by the boards. In normal times, a statement of support for a bank that had gambled away a quarter of its balance sheet could not pass the lips of Herr Ludwig Poullain, Westdeutsche Landesbank's conservative chairman.

But Poullain presides over a "central bank for savings banks" in the North Rhein-Westphalia region of Germany — and savings banks are desperate. Commented a spokesman for the Dresdener Bank, the nation's second largest commercial bank, "After Herstatt, maybe people don't want to put their money into savings banks anymore."