launched a propaganda campaign to convince ordinary Germans that buying shares in the privatized German Telecom was where their savings should go.

Since March, the large German banks, led by Deutsche Bank and Dresdner, have pushed their customers to buy stocks, which, under German law, banks are allowed to sell. The result has been what one banker termed "a phenomenal jump" in the amount of money ordinary Germans place in stocks. It has been compared crudely to U.S. mutual funds. But the process has become self-feeding. As more savings find their way into stocks, stock prices rise, luring more savings to follow suit.

In the first four months of 1997, more funds have poured into German stocks than in all 1996. On July 26, the daily *Frankfurter Allgemeine Zeitung* reviewed the situation: "For professionals in the stock exchange business, this is a clear warning signal, namely that stocks are going from strong hands into weak hands." Traditionally, large German banks had been the major owners of company stocks. Private citizens put their savings into very conservative *Sparkassen* savings accounts for future purchase of a house, or into state bonds. The shift into stocks means that naive investors, who have not the slightest idea of market risk, are propping up European stock markets, much as in the United States in recent years under 401K tax-deferred pension plans and other stock mutual funds.

Why October?

At this stage, all signs point to eruption of a major financial and monetary crisis sometime in the autumn. "Certainly by October," LaRouche stressed, "we should expect a real, major blowout. October is the hot month, but this system is so unstable it could go any day."

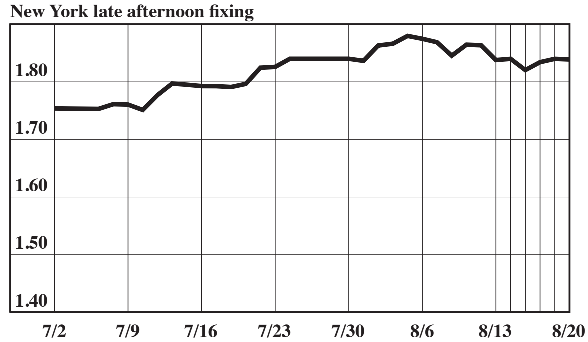
Arguing for such an October conjuncture is the growing pressures on the Federal Reserve to raise interest rates, as warning signs of inflation grow daily. The Federal Open Market Committee meets next on Sept. 30. That day is also the Japanese semi-annual fiscal year accounting deadline. By the first two weeks of October, Japanese banks and companies begin to report how bad their losses are. In October, the European Monetary Union could well erupt into a full crisis, as the critical issue of whether Italy joins the EMU in 1999 will be decided. The European Union Commission in early October is due to release its official deficit estimates for all 15 EU member states, part of determining which countries qualify to join EMU in 1999. Brussels insider reports are that Italy will not be in the first group. "If that's true," noted one European banker, "that will detonate a monetary, bond market, and stock market crisis which will cut across Europe."

The pieces are coming rapidly into place defining LaRouche's boundary layer. The question soon posed for governments will be, what system they intend to replace the bankrupt Bretton Woods system.

Currency Rates

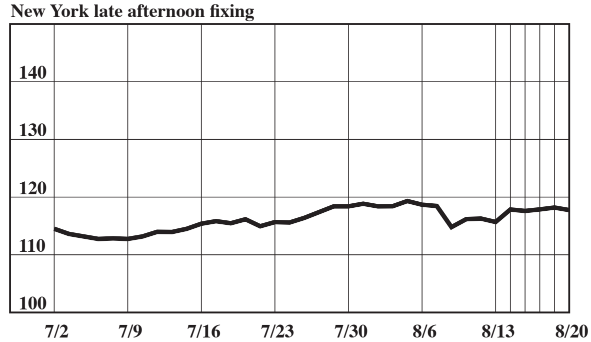
The dollar in deutschemarks

New York late afternoon fixing



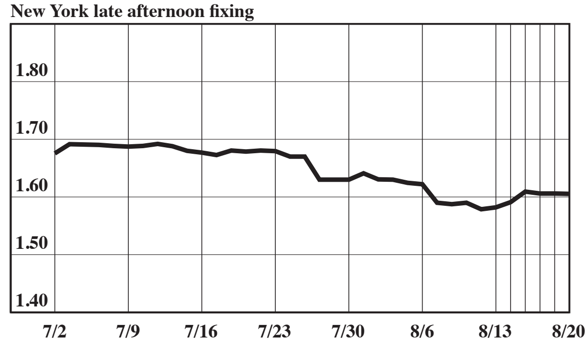
The dollar in yen

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