Are EU Country Central Banks "Illegally" Buying Government Bonds?

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The following text *is an English transcript (translation) of an RT Berlin Interview in German regarding an apparent secret agreement between the European Central Bank (ECB) and individual Euro countries' central banks issuing large amounts of government bonds. The discovery flared up just before the FED raised its base interest rate by a quarter percent on 16 December 2015, signalling the end of zero-interest in 9 years.*

RT Question:

The ECB is currently accused of having made a secret agreement that would allow Euro country central banks to buy government bonds in large quantities. We would like to explain our viewers what impact this may have on our economy. With this move, more money enters circulation which could lead to inflation – and inflation is not necessarily good for the economy.

Response Peter Koenig:

What some Euro central banks are doing, i.e. buying government bonds, is nowadays in the times of *fiat money* nothing extraordinary (Fiat money is government issued legal tender for which there is no backing). The US Fed (Federal Reserve Bank) is doing this since years. It's called QE – for Quantitative Easing, it's a euphemism for electronically producing new money whenever needed, for example to finance new wars and massive mind-bending propaganda programs. Of course the real reasons are never revealed.

Today ECB does exactly the same, by allowing euro country central banks to buy government bonds within the limits given by the ECB. This, however, risks increasing the euro debt exponentially, if not controlled, as is the case in the US.

Alan Greenspan, former chairman of the FED, once answered the question of a journalist how the US thinks paying back its astronomical debt: *"We will never suffer from the pressure of debt. We can always produce new money."*

Since 2012, this form of more or less ECB watched-over and organized money production has officially produced some 800 billion euros. But in addition and in parallel, but especially in the last year, another 500 billion euros were produced semi-clandestinely, apparently mostly by Italy and France; and this clearly to balance the state budget.

Every sovereign non-euro country produces money as it sees fit, without the intervention of an outside 'watch-dog' like the ECB.

Some background: The ECB was founded on 1 June 1998 in the context of the 'Treaty of Maastricht' as the successor of the European Monetary Institute (EMI). The ECB reports to a 'Governing Council' – which in turn is composed of representatives of the 19 euro-countries. The ECB became effective in 1999 with the introduction of the euro.

The ECB is not subjected to an independent audit, following exactly the same pattern of 'privilege' as does the FED – which is a 100% private banking institute.

The 'secret agreement' is the so-called *ANFA (Agreement on Net Financial Assets)*, an agreement between the 19 Euro-countries. It allows countries to purchase government bonds within a certain framework. How the rules of the framework are set is not quite clear. But it appears that not all countries have the same rights. Central Banks of individual member countries may buy the debt of other countries, or their own debt, thereby helping balancing their over-extended budgets. The debt is sold to private banks, thereby increasing the monetary mass – and the banks' *exposure* (risk).

Interestingly, on 10 December a journalist asks ECB President Draghi a direct question, *'how come that central banks of individual EU members are buying government bonds (producing money), independently and outside the ECB rules'*. Draghi reacts unruly, suggesting the journalist should ask the countries concerned directly. The same day, the ECB published on internet a vague explanation on what ANFA represents; a complex construct of who, how and under what circumstances has which rights.

As far as I know, all Euro countries have kept their sovereignty, when they signed the Maastricht Treaty. There are certain ECB rules, but none of them are above the sovereignty of a country. Therefore, every Euro nation has the right to buy its own government bonds, i.e. producing their own money which is the euro, to reduce their debt and increase liquidity. And so would Greece, no matter whether or not this pleases the ECB or other Euro-countries. As we are just experiencing, money printing by individual central banks is already done, 'half-clandestinely' – by those with more privileges than were given to Greece

Years ago, me and other economists have advised the Greek government to do what now France and Italy – and probably others are doing; i.e. to refinance her debt through Greece's own central bank – and to on-lend these funds at low interest rates to newly nationalized Greek public banks with the purpose of revamping the Greek economy.

Would this have happened, Greece today would not stand at the edge of a bottomless abyss; to the contrary, she would be on the way to recovery.

But Syriza and Tsipras didn't want to hear any of it. – Why – is a mystery to me. Possibly the Greek government was criminally blackmailed and coerced into accepting the troika rules. Given the many governments which have fallen when they didn't accept the Master's rule, such a scenario is entirely plausible.

Perhaps Mr. Draghi became nervous over the journalist's question, because the autonomous production of money by certain central banks could incite others to do the same, including Greece, Spain, Ireland, Portugal – countries which so far are beholden to the fangs o the troika.

RT: *According to Michael Fuchs, German CDU Deputy, "Euro countries' central banks are forbidden to refinance their government debt" – in which case the ECB has committed an* *infraction – which may be the reason for Draghi's lack for words when faced by the journalist. How is it possible that in the case of some countries, Draghi looks the other way, tacitly giving some countries the privilege to do what is against the* rules. *What legal consequences could this have?*

PK: As explained before, there is no real ban on sovereign nations money production – the Maastricht Treaty is not binding – as it stands not above the sovereignty of member countries. The nine non-euro countries are EU members, but have decided not to join the Euro. – They decide their own monetary policy without any interference of the ECB.

What Mr. Fuchs fears is that countries which owe Germany and German banks a lot of money will produce their own money, thereby increase the euro monetary mass and devalue the debt. Inflation is always a risk. – Today, Euro inflation is widely hidden behind false statistics.

Another risk are European banks which are already indebted to their neck and which are getting deeper into debt with an increasing money mass. Some of them may go broke.

What this would mean for the European average citizen who keeps his money in a bank account is bad news: In July this year, the EU / EC have issued an edict, totally illegal and without consultation of the people of Europe, or even the parliaments of European countries, that in the future banks shall no longer be 'rescued' by 'bail-outs', i.e.by tax payers' money, but instead by 'bail-ins', meaning the banks would refinance themselves with money stolen from depositors and shareholders. Who doesn't believe this, may recall Cyprus, where in March 2013 the 'bail-in' was tried out. Some 10 billion euros were taken from depositors to salvage the broken Cypriot banks.

By now we know: Banks never lose.

But this is not all. With excess liquidity, the ECB and some individual euro-country central banks will further enhance their negative interest rate policies. To prevent the natural reaction of the people – a run on the banks – governments lobbied and pressured by their banks will gradually introduce a *no-cash consumer society*. This is currently being tested by shops and department stores in Sweden, where purchases may only be paid electronically, by credit or debit cards.

Like in the case of 'bail-ins', is the no-cash consumption being tested. Depending on the reaction of the ever-so-docile and to the edges manipulated people, the new cash-free system could be introduced rather quickly. And we, the 99.99% are again sitting in a trap, a trap invented form the greed masters, our western fraud-driven banking system which is selling the new system by buying politicians and duping the populace with media propaganda and indoctrination.

I'm sorry to say this – we are so deeply mired in this corrupt western, especially European monetary system that I believe there is no way back, no possible way of reform. As I see it, there is only one solution – exit the euro and start afresh with our own currencies, the Deutsch Mark, French Franc, the Italian Lire, the Greek Drachma – and so on. After all, the euro has been in circulation only for 15 years. Why is it so difficult to imagine a world without the euro, especially recognizing how corrupt the system has become?

The signpost for the decay of the euro was set when the euro was first introduced for a so-called union of countries, a union which is actually a non-union with no solidarity and which was never conceived as a political union, like is the case with the federal states of the US, or the federal cantons of Switzerland. Without a political union, a common currency is not sustainable, cannot survive.

Nowhere in the Maastricht Treaty or the subsequent Lisbon Treaty is there a reference to a future political union. The masters behind the so-called EU, the Masters of Maastricht, knew exactly what they wanted – a Europe as a trading partner, but not an equal partner, not a strong Europe. Should Europe become too strong, it needed to be weakened – divide to conquer.

Thus, were added to the EU core group of 15 in 2004 and 2007 another 13 countries which have in fact little or nothing in common with the 15 core countries. To the contrary, most of them came from the realm of the former Soviet Union and are fiercely anti-socialist and pro-American. The only liking of the EU they have is the massive subsidies they met get to quickly adapt to the new EU standards.

In addition, the euro-economy strengthens and may threaten the dollar as a reserve currency in the reserve coffers of the world, as has happened in 2007, when the FED-Wall Street gang had to fabricate an economic crisis which punishes the European economy with austerity. By now the tools they are using, the ECB, the EC and the IMF (the troika) are well known. The current so-called crisis exists since 2007/2008, with ups and downs, but there is no end in sight.

This fits exactly the picture of the currently secretly ongoing negotiations, behind closed doors in Brussels, over the TTIP (Transatlantic Trade and Investment Partnership) – which, in case it will succeed – would turn Europe into an American production and trade fiefdom, with a low-wage policy. Though I don't want to mix-up the 'crisis' with the TTIP, it is undeniable that the two are intimately linked.

The elite groups behind this ball game to enslave Europe are primarily non-Europeans, but FED, Wall Street, IMF, BIS (Bank for International Settlement). The dollar hegemony must be maintained, come hell or high water.

It is not a coincidence that Mario Draghi, the ECB President is a former Goldman Sachs Executive. To be exact, Goldman Sachs dictates the European economic and financial policies.

How many European politicians are aware of this?

RT: *Is the ECB subjected to any supervisory body? – And if so, what purpose wold these measures serve?*

PK: The ECB is not subjected to a supervisory body *per se*, other than then "Governing Board' – which is a gang of insiders, as mentioned before. The ECB is not subordinated to an independent audit. The ECB is not even a real central bank that lends money to favourable terms to member countries in need. The ECB lends money to large private and investment banks at low or zero interest; the banks 'on-lend' the funds to countries at risk, like Greece, with high risk-interests of 5% to 7%, the difference being cashed in by the banks as profit.

This is why Greece, Portugal, Spain and Ireland are highly indebted countries. In fact, new loans are directly used to cover the debt service. Not one euro flows into the economy, say, of Greece, to refinance the badly needed social program, health, education, welfare. – And that's why – oddly and absurdly the Greek debt has more than doubled since the onset of the crisis, and since the "rescue package's" first loan was contracted by Athens in 2011.

Which international law is ruling over the ECB? – Hard to say. Is there any legal authority in today's world of 'dog-eats-dog' that is independent enough to dare resisting the pressures from the mighty?

The good news is that man, still free-thinking man, is relentlessly creative. Several countries are already working on alternatives to the current western and fraudulent monetary system, as they are keen to delink from the dollar, including Iceland, Ecuador, Russia, China. The BRICS / SCO (Shanghai Cooperation Organization) countries, have already adopted international payments systems that function completely delinked from the dollar-based SWFT.

So – there is hope!

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