

The Euro Zone System in Crisis. Will it Backlash on Wall Street?

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Except for the MF Global scandal Europe still stands at the forefront of world debt problems. Up until now little has been accomplished toward solving these problems and the traditional Christmas season is upon us, which stretches from December 7th, to January 10th, a period in which very little will be accomplished.

It is reminiscent of last summer. The only thing that the elitists have accomplished is the placement of Bilderbergs as the head of the ECB and the appointments of two more as PM's in Italy and Greece.

Over the last ten years we saw all debt grow, but in particular among the southern members of the euro zone. The imbalance was predictable, but the northern countries just ignored the problem. Those in the north blamed the difference on culture and work ethics. Thrown into the mix was government and banking profligacy and growing lack of competitiveness. All of that was true, but it did not alter the fact that great imbalances existed and still exist and that certainly contributed to the underlying non-competitiveness.

Financial mismanagement certainly had a profound effect in the six countries in serious trouble and you can also include France in the group. The problems were also compounded by the wild growth of indebtedness lorded over the banking community. The latter just loved one interest for all. The banks were particularly the blame in Ireland and Spain where unnecessary building went absolutely berserk. Through this period, Germany and the Netherlands, in particular, couldn't lend money fast enough to those who shouldn't have been borrowing it. This, as we reflect back, it was malinvestment, a misallocation of capital instituted by the banking community, which was leveraged about 70 to 1. We continue to ask what could they have been thinking of? The performance of the banks was at the very core and heart of what we see today.

Two to three years ago Germany reached the conclusion that this could not continue and they attempted to Germanize Greece and to instill discipline. That ended up being unsuccessful, due to the great cultural differences. That brought about the EFSF, which provided loans to those countries that were unacceptable to the bond market. This, of course, was just another effort in avoiding reality. The northern Euro Zone members want to continue to export to these countries, but they cannot do that and that is why they have no money. They are finding that collectivism doesn't work. There is no such thing as collective responsibility. These new world order geniuses forget that when you have austerity GDP falls and you have a recession. In addition, it also brings about added inflation, which had and has the ECB very concerned, because their mandate is to keep inflation in check. This then has put the ECB at cross-purposes.

This points out why the ECB does not want to act as lender of last resort to governments. The six nations in trouble have been forced kicking and screaming to accept austerity government changes and to reveal the terrible condition that their banks are in. Greece, as an example, went into the stage one bailout and austerity, which forced revenues lower and the ability to pay interest lower as well. Wages were cut 40%, government wanted to take licensees from taxi drivers and turn their businesses over to a Germany consortium, which forced the largest demonstrations to date. We wrote more than two years ago that Greece should default, return to the Drachma and straighten their economy out. No one wanted to hear that and now the situation is much worse.

We have six countries on the ropes. Contagion has set in. Stress tests are a scam and meaningless. Dexia passed with flying colors and two weeks later went bankrupt.

Due to outright lying by bankers and politicians money is going to be much harder to raise in the future. If Germany's auction was real last week, and if they could only raise half of what they wanted to raise, how can those in trouble believe they can raise any funds at over 7% on 10-year bonds?

The simple solution is to end the euro, a poorly thought out experiment; which its creators thought would become a one-world currency. If currencies are managed properly, central banks do not need to be a lender of last resort. All the lender does in creating money and credit out of thin air is inflate away excesses by the bank and fiscal policies. A cap of 3% annually in central bank monetary creation will bring only limited inflation and allow for growth.

A break up of the euro zone does not have to be disorderly. Every two months, over a one-year period, one of the six nations can be allowed to leave the euro in full default. The second year the remaining 11 members can decide whether they want to keep the group together, or return to their original currencies. This is essentially what 65% of German citizens want.

The remaining states cannot coordinate fiscal policy, because it means a loss of sovereignty and internal fiscal control would be given to an 8-man committee in Belgium. These are the same characters and leadership that assisted the euro zone into trouble in the first place, along with the banks, who thought they had a license to steal.

Yes, there will be a depression whether these elitists like it or not. Not only in Europe, but in the UK and US as well, which will occur in varying degrees worldwide no matter what solutions are found. Depression is inevitable. When bond yields reach current levels raising money is prohibited, which means the game is over no matter which way you cut it. Recapitalization of the current system is an exercise in futility. Create more debt to pay off existing debt - how stupid. The system has to be purged - there is no other way. The bankers do not want that because they'll lose the key to their power base from which they control everything. The politicians and bureaucrats do not want it because they'll have to find real jobs. Recognizing that recapitalization at this level cannot work. It will only work when all the malinvestment is removed from the system, and today's group of bankers cannot be allowed to even participate in their former capacity again. This vicious deflationary cycle must end. We have found that increasing money and credit does not work. You cannot escape deflationary depression indefinitely, because hyperinflation eventually takes over and the collapse that follows is even worse. Just look at history and the Weimar collapse. There is no easy way out and this is what has to be done. Incidentally,

only those with gold and silver related assets will be left with any wealth.

This past weekend German Chancellor, Mrs. Merkel, steadfastly called for strict control of country budgets, because a group of 8 in Brussels, bureaucrats all, would do a better job of guiding each country fiscally, than the Bundsbank does for Germany. German members of parliament would have to be stone stupid to believe this. House and Senate members are guided by a quest for world government and would vote on that basis, rather than represent their constituents who are 65% against such legislation. The effort to strip Germany of sovereignty by Mrs. Merkel and other Bilderbergers that this issue could end up in a pitched battle. Mrs. Merkel we are told is willing to change the German constitution to make it happen. If she were to be successful then all other EU nations would have to vote for the changes as well. We see continued misinformation in the European, UK and US media regarding what Merkel is up too. More disconcerting is we see newsletters blatantly uttering disinformation. One is a scamster from way back. It looks like he may be working with the elitists.

Spain continues to seek out lenders, as does Italy. British ministers have been planning for a contingency and collapse. They say it is just a matter of time and when before the euro collapses. That plan includes a formula to help British citizens on the continent if they cannot access bank accounts and have no cash. As an example, yields on some sovereign debt could freeze sovereigns and banks out of the market. By the end of January, Italy has to sell \$40 billion to refinance its debt. There is little hope these funds will be raised, which could bring about a collapse. By that time the only player capable of assisting them is the Fed and we do not think they will do that. This is another warning to Europeans to clean out your bank accounts, turn in CD's and sell sovereign and corporate debt and anything in euros and other European currencies. Get out of all stock markets, except gold and silver shares. If banks close you are out of luck. Have gold and silver coins in a big way. These are the only ways you can protect yourself. The end of the euro is now inevitable, as weak members default. It may take as long as two years, but it is going to happen.

Those who believe that these events will not affect the US are fools. Those who believe that sovereigns can fund their own banks are mistaken, never mind funding other states. Germany does not have the capacity nor the will and desire to do so. As we said in the last issue the money and the ability to raise funds simply isn't available.

In order to further extend the time line Europe will have another bank stress test. We need not remind you of Dexia's wonderful test and quick failure. Not to be outdone the Fed has announced a stress test this time as well into January. Anything to keep people distracted and to somehow prove to them that all is well when it is not. We find it of interest when the major media makes no comparisons with the fate of Dexia. Nothing is mentioned of possible bank solvency or derivative counter party issues. As far as we can see stress tests have no market credibility and are just another shell game. Those who buy Treasuries had best be careful in spite of the strength of the US dollar that soon probably will try to break up and out over 80 on the USDX. If that happens 86-88 is the next stop. The only reason the dollar is strong is because at the moment the euro has more problems than the dollar does. The US Treasury and Agency markets are so distorted by manipulation by the Fed that one cannot discern what a real market really is.

The longer the fix is in the worse conditions will become and the greater possibility that Europe and England's problems will reach our shores. US T-note rate levels have gone

lower, but not at the rate they should have, which tells us as the Fed buys there are lots of sellers to fill those bids. Even the professionals do not realize the worldwide negative implications of the European debt crisis. What is unfolding is systemic failure of an abused and idiotic attempt to bring Europe into what was to be a world currency. This is a staggering defeat for the elitists. Not only is the bond market not responding the way manipulators want it too, but brokerage houses offer margin borrowing rates of 1.3%. Is it any wonder that on Monday mornings the Dow and S&P open up 250 to 300 Dow points higher? It is all legal manipulation and the longer it goes on the fewer participants the stock markets will have, as it is black box traders account for 70% of all trades front-running and rigging markets. After 53 years in markets we cannot believe what we see. One thing is for sure there are no free markets left. As we write debt market yields in Europe hit new highs, and that includes German bunds as well. Most people still do not get it. The euro and the euro zone are in the process of failure. Germany may be able to make guarantees, but France sure cannot.

Greece has all the appearances of failure. The value of their bonds will go to zero and those NYC money center legacy banks are going to have to pay off on their credit default swaps, which will cost hundreds of billions of dollars that these banks do not have. Talk about more one-way bets. The only reason for them to take such risk is that they know the Fed, which they own, will come to the rescue. Incidentally, that means you get to pay the banks' bills. In addition Americans do not have a clue as to how serious the situation really is in regards to the American economy. Talk about uncertainty. The risk of financial implosion mounts with each day. Anything can happen from here on out.

The latest out of Europe is that German Chancellor Mrs. Merkel wants to fast-track proposals to enforce budget discipline as the key to solving the euro-area debt crisis, which in reality is a move to end German sovereignty. She will cover that issue on December 2nd before the Bundestag and again on December 8th and 9th at the Summit of European leaders.

Trailing in the background is another ex-communist German Finance Minister Wolfgang Schaeuble, who also calls for fast track. He instructs Merkel as what to do. Fiscal control over different countries is only to control those nations. Once entrapped they will be like putty in the hands of representatives of world government. Obviously, the bond market knows what Herr Schaeuble is up too as yields on German bonds soar as well. In the meantime finance chiefs are deciding if the EFSF should pay 20% or 30% on privately held bonds of crippled nations even though it is illegal for the EFSF to do so. Just like in Germany, behind the scenes, France admits that they and other nations are working on remaking the European treaties, so that they may more quickly consolidate for world government. Their new stripping of sovereignty is now called a special stability union.

What this is really all about is using the euro zone crisis to emasculate the sovereign nations. The proponents know such changes have to be implemented now. The holidays cannot stand in the way. If they have to wait until January all the push to pass will be gone. It would take months to change the treaties. Presently the ECB cannot directly finance governments, but they do anyway via bond purchases. The proposed stability union has to be a very hard sell because neither country's citizens want to give up their sovereignty.

Last but not least the propaganda rumormongers are out and about doing their mischievous work. They threaten riots and revolution if a euro solution is not found to go along with the breakup of the EU and more war. They never tire of beating the bogus drums.

If the IMF does not step in then the ECB has too, legal or illegal. Otherwise breakup is probably in the euro zone. Serious preparation is being made for such an event in London and NYC. The US President says we have to help because it will mean higher US unemployment. Just to show you the confidence level the German tourism operator TUI demanded Greet hoteliers renegotiate contracts in Drachmas to protect TUI.

High interest rate contagion has spread to bonds of Germany, Finland, the Netherlands and France. Short-term financing has dried up. That means another credit crunch is on the way. In Britain interbank loan volume is off 25%. As a result the ECB will increase bond purchases by \$110 billion a month. Of course, this is illegal under Article 123 of the EU Treaty, but who cares. Rules were made to be broken. As we can see the Bilderbergers never had any intention of following the rules, because their pursuit of world government is far more important to them. Now most of Europe has puppet regimes under the auspices of Goldman Sachs. These people are not dishonest; they are criminal. This is how normal Eurocrats conduct business. The proposal for the ESM, The European Stability Mechanism, is a good example. Create a permanent facility that can provide loans to countries in distress. That is not the real reason. It is to establish a supra-national fiscal authority whose directors and staff are absolutely immune from the judicial process and by stealth steals the states' sovereignty. The ESM then sets the stage for dictatorship and a pool of \$700 billion euros to bail out the insolvent. That is the end of Europe as we have known it.

We now find out the ex-Goldman Sachs' CEO, and former Secretary of the Treasury, released a blockbuster report based on a FOIA response by the treasury fund that Paulson tipped off a select group of Goldman Sachs Diaspora hedge fund managers about the eventual failure of Fannie and Freddie. This is how the crooks on Wall Street operate. The meeting took place at the offices of Eton Mindich, who is in the hierarchy of the Asset Management Committee of the "President's Working Group on Financial markets." Again, where is the investigation and prosecution?

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