The European Debt Crisis: The Creditors are America's "Too Big to Fail" Wall Street Banksters

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We address this European issue, because soon it will debut in the US. The comprehensive policy response, which we have been told existed, really doesn't exist. We found that out last Friday. All the lies of the past two weeks by various European governments and bureaucrats, as well as Mr. Sarkozy and Mrs. Merkel, were just more delaying tactics to attempt to find a solution to Europe's financial dilemma. As part of this display of smoke and mirrors, these hopeful signs, generated large gains in US and European stock markets, of course, with the assistance of the "President's Working Group on Financial Markets." At the same time as usual gold, silver and commodities markets were attacked viciously. This is how markets and economies are manipulated when in control of our corporatist fascist government.

Following the lead of the Federal Reserve two weeks ago both the Bank of England and the European Central Bank added more wood to the fire by expanding their issuance of money and credit. As we have previously pointed out the system cannot function without perpetual quantitative easing or stimulus. That is because no attempt has been made to solve the problems of the economy and unemployment. In the US, UK and Europe only the financial sectors and governments have been recapitalized. That is ongoing. This is the solution offered by the Fed and all others should follow such dictates. Policymakers may be energized with three conferences on tap, but that means little. Germany is the key, the German people, and they are not budging. They have had it. Being forced for 66 years to do as they have been told. That era of allied hegemony is over. While they are at it they should remove foreign troops from their soil.

Central banks are accommodators to keep their system going, because if the elitists lose control of the financial systems they lose their power and wealth. That in part is why no effort has been made to restore economies. These extraordinary measures have for the moment kept US, UK and European economies from falling off a cliff, but that game cannot be played indefinitely. One of the factors not mentioned and shunted aside is the penalty of inflation from unbridled monetary excesses. In the US we see 11.6%, in England 12.5% and in Europe 7%. What professionals do not want to recognize is that economies and the financial structure are fighting a losing battle.

Markets have discounted a perfect recovery for Europe and that is not going to happen. If they work it out it will take years to reach normality. If they purge the system it will take five years, which will produce great pain and deprive the bankers, Wall Street and the City of London of their power.

Britain, supposedly is suffering from the European financial contagion. We do not think they are as yet, but they could suffer in the future. Britain created their own set of problems and they will have to live with them.

We have heard NYC legacy banks are on the hook for about $150 billion Greek CDS, credit default swaps. $39 billion of that belongs to JPMorgan. That is the main reason why the US Treasury and the Fed want Greece bailed out and all European banks recapitalized, along with unlimited issuance of money and credit.

It is said that a debt to GDP ratio of 120% or higher is irreversible. That is Italy's number and in addition they have a major refunding in the near future. If Germany just had a failed auction, does one really believe that Italy can complete theirs? This is why the ECB has been buying Italian bonds in an attempt to drive down interest rates that has risen. This type of condition faces a number of European countries such as Spain. This problem is handled by ring fencing, like circling the wagons. Government splits the financial entities in two. A good bank with the profitable assets and a bad bank with all the problem assets, which government guarantees, so that the citizens can pay for the bad assets created by the banks. The banks are taken off the hook. These are the same banks that caused all these problems in the first place.

The EFSF may become a bond insurance operation based on other insurance, which would allow leverage. Thus, instead of having $500 billion available for bailouts perhaps $2 to $3 trillion would be available. This is what the contention is between France and Germany. The Germans do not want to do that. This lending would be similar to Eurobonds.

The problem that the European markets have is that confidence and credibility are gone. For proof just look at last week's failed German auction. If the Germans fail to sell all their bonds how can other lesser-rated countries sell theirs? If Germany's experience is a guideline how can the EFSF expect investors to buy their bonds?

The basis to these plans to raise funds are austerity programs. The European economy is slowing down and austerity could bring it to a halt as tax revenues fall and the ability to service debt is lessened. This process is not stabilizing – it is degenerative. We have seen it in country after country controlled by IMF loans. Eventually the loans cannot be serviced and the push for privatization takes place. That is when the real raping takes place. In this process of austerity citizens demonstrate, sometimes get violent and sometimes that leads to revolution. At best there is destabilization and its social consequences. The only way to avoid this is to phase in austerity and create enough liquidity to allow the system to adjust.

The German people, the Bundestag and the Bundesrat have said no more money, no more loans. Thus, with no one to back new debt, that is powerful enough to handle it, we see little hope of solution. France is in no position to do so. It currently is facing the possibility of a sovereign downgrade. We are closing in on the end of the game and that will be disruptive not only for Europe, but internationally as well. Can you image stock markets rising in the midst of all of this? This is the work of central banks', Treasuries and, of course, the "President's Working Group on Financial Markets." Some are going to be in for a big surprise.

Europeans are going to be lucky to buy a couple of years and even if they do that they haven't solved the problems. We are looking at an insolvable problem that bankers and politicians do not want to contemplate, because it will deprive them of all their power and that is what all this is all about. They either purge the system now, or it will purge itself later and it will be far worse.

As we move into this week there are many unresolved differences between France and Germany, the biggest players and the FINNS and the Dutch are tending to side with the German population. The scope of the Greek bailout has created unease, because the program laid out for Greece, which was supposed to be completed by now, but won't be for another year. The amount of money Greece needs is far more than what has been budgeted and there are daily demonstrations that have the average Greek saying, we don't care what kind of deal you have made we are not going to abide by it. Government revenues have plunged as a result.

From our point of view markets are reflecting a panacea and that is not going to be the case. There still is no deal and investors believe they have one and that is not the case, at least not yet.

Negotiations on combining the EU's temporary and planned rescue funds as of mid-2012, while scrapping a ceiling on bailout spending, accelerated this week after efforts to leverage the temporary fund ran into ECB opposition. These bankers and their political minions are relentless.

The attempt of converting part of the EFSF into a sovereign bond insurance operation is out, because of what we pointed out earlier – it is illegal. The Germans will not yield to the French (US) of turning the EFSF into a leveraged bank structure. The ECB has been apposed to lending to the EFSF, which makes the insurance structure impossible. Having Mr. Trichet leave at this time is unfortunate because the successor is overwhelmed with unsolvable problems. Ring-fencing does not work either. It just moves debt from one place to another temporarily.

As Europe wallows in insolvable problems the US Fed is finally going to have a QE 3, which should have occurred on September 15th. Being talked about behind the scenes are large-scale purchases of MBS and better known as toxic waste mortgages. That would allow the speculators to buy long-term Treasuries, other bonds and equities and it allows the public to pick up the losses from banks and other financial institutions. Just another sweetheart deal this could be a reason the stock and bond markets are so strong. If you haven't noticed Mr. Bernanke and the Fed's popularity are at all-time lows. Another blast of firepower would in their eyes put them back in the plus column. Such large-scale purchases would tend to provide liquidity for foreign sellers of Treasuries and Agencies as well. They could then reduce their dollar denominated exposure without disrupting the market. In order to accomplish this MBS-CDO policy, the Fed would have to create more money out of thin air and add to the monetization process, which creates more inflation. The Fed calls it expanding their nearly $3 trillion balance sheet further. This process would reduce pressure on longer-term rates of an average of seven years. That would reduce mortgage rates, which in turn stimulate real estate sales. This is a long-term project and the benefits are questionable. If unemployment is 22.6%, more than a fifth of the population cannot purchase homes. In addition the unsold inventory is 3.8 million homes and growing and builders are building 620,000 additional homes a year. We wonder what they are thinking about? Overall the goal of putting more people into homes won't work very well, but it will supply more liquidity to the system. It won't create jobs and it will bail out the lenders further again. Doesn't anyone realize what is really going on here? It is another bank bailout, and a further monetization of MBS. The Fed's idea is to rid bank books of unsaleable liabilities and increase their liquidity positions, so they can buy more Treasuries, Agencies and to speculate. These emergency operations should not be ongoing. They should stop and these insolvent lenders should not be allowed to go under. That does not happen in this new world of too big to fail. They would take the power away from those who caused all these problems in the first place. That in turn would eliminate the control of the Illuminati. As a result of these policies the Fed continues to loose credibility and public confidence and the same is true of UK and European central banks.

Such policies are very inflationary and steal the purchasing power of the public. You cannot force the issue indefinitely and the results are always temporary. The Fed and other central bankers are fooling no one. It is just one bank bailout after another with no end in sight, while economies slowdown for lack of real assistance and unemployment rises. How long will the people tolerate such reckless money creation for the sake of the few and not for the people? The politicians say nothing and aid and abet the process because 90% of them are bought and paid for.

The very idea that banks should be subsidized and are too big to fail is simply ridiculous. All of these sort of schemes just delay the inevitable, create market preferences, where some elitist firms get assistance and other firms do not. That is a condition that has been prevalent for three years. Frankly, we'll be surprised if Germany makes any concessions.

Part of the outcome of operation twist, as we mentioned before, is a higher stock market, which we see in progress. The Fed expects some of the liquidity derived from their purchase of toxic waste to go into speculation in the stock markets. The Fed has already learned that due to the low interest rate returns it drives what normally are conservative investors into the stock market where they lose their money. Obviously the Fed could care less.

Their only mission is to save the financial sector where all the power lies.

They could care less about capital investment and job creation.

What the Fed is doing is acting in furtherance of a dysfunctional market place. The financial masters of the universe are about to throw caution to the winds. They want to keep their corruption system in tact and it is not going to work. It is just a question of when they lose control and have their next war.
