Keeping the Global Monetary System Afloat, Postponing Massive Debt Default

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There are many ways for sovereigns to sell their bonds or roll over existing bonds, and one of those wrinkles we mentioned last week. We saw European banks buying US Treasuries and that is happening. These euro banks buy Treasuries and then put them up for collateral with the ECB and purchase the three-year 1% yield repos being offered by the ECB. This is really another form of quantitative easing. It may be debt but it is also an expansion of the money supply. This little game allows US Treasury financing and if something goes wrong the ECB, the public, gets caught holding the bag. Obviously this is another part of the Ponzi scheme that the elitists are using to keep the monetary system afloat.

The idea that Germany wants Greece to give up control of tax and spending decisions has met a stonewall in Greece, as one would expect. That is like financial occupation, what the Greeks went through in the 1940s. We do not think the German demands have a chance of acceptance and that $170 billion bailout will take place.

The Troika has proposed extra Greek spending cuts of 1% including health spending, defense and an additional 150,000 jobs over the next three years. The IMF has said such cuts will impair any recovery, so the question arises why do they want to keep on cutting when they know the economy will experience depression?

The merger of the EFSF and the ESM is off as Germany parliamentarians refused approval. It was stopped by Volker Kauder, the floor leader for the CDU, Chancellor Merkel's party. Mrs. Merkel is in serious political trouble.

Greek problems are on the forefront, but lurking in the wings is Ireland, where the government is under fierce pressure to hold a referendum on the euro zone fiscal treaty. A poll showed 75% of the public want a vote on the agreement.

Over in France, the French wild man, Mr. Sarkozy, wants to raise the VAT, the Value Added Tax from 19.6% to 21.2%. He has also unilaterally proposed a financial transact tax of 1% on French securities. Such a tax would drive stock and bond business from Paris to other markets.

As you can see Fed Chairman Ben Bernanke doesn't like being totally frank. He failed to tell you how banks in Europe can bypass the normal course of borrowing by buying US Treasuries, making the Fed very happy and then using the Treasuries for collateral to get cheap loans from the ECB. This brings a new dimension to leveraging. It is diabolical and changes the funds available tremendously. There is far more money available in Europe than immediately meets the eye.

The Fed will keep Fed funds rates near zero thru 2014 and who knows perhaps forever. These unbelievably low interest rates guarantee few will be savers and retirees are going to be eating more cat food. They will not be marginal buyers we can assure you of that. At the same time these poor souls get nothing for their savings and they also have to contend with real inflation of more than 11% annually.

Long ago we predicted QE 3 by buying toxic bonds from the banks at secret prices when real markets do not really exist for such waste. What the numbers will be remains to be seen – perhaps $800 billion to $1.3 trillion. We tend toward the lower number, but we will see.

A month ago we were treated to a $1 trillion currency swap between the Fed and the ECB, which was in fact a loan, which is illegal for both entities. As you know the world elitists make up the rules as it suits them. Be as it may those funds can be leveraged to $10 trillion or more if the banks choose to do that. These economies are helped short-term but nothing is being done to solve the underlying problems. Adding debt to debt is no answer.

This plan was supposedly, as usual, coordinated with the Swiss National Bank, the Bank of Canada and the Bank of England for the direct benefit of the European Central Bank. There was one announcement and you haven't heard hardly anything since. It is supposed to be a big secret. That is not surprising considering unlimited amounts of money and credit are being dumped into the system. The Anglo American establishment now owns Europe. The Fed now has an even larger monopoly.

These incredible amounts of money are being showered over the banking system as 1.1 million Americans have been added to the unemployment ranks over the past three years to total over 13 million. If you put all the numbers together it's some 20 million. Debt per American is $48,700 and there are more than 46 million living in poverty – 46 million Americans live off of food stamps. As you can see the public is hanging on for deal life and investors don't know which way to turn, because they do not understand gold and its function. If they don't understand the function of gold and silver they'll probably eventually lose 90% of their assets as most did in the 1930s. They are facing the greatest creation of fiat money in the history of mankind. America is no longer a bastion of capitalism or free markets. It is a corporate fascist state.

European bureaucrats are in a battle with banks on safe-asset holdings. They are being assisted by the ECB. More conservative collateral is being called for and the banks contend they cannot do that and thus they want the rules changed. Will the regulators relax the rules? Of course they will. There will be new exceptions and definitions and the banks will do as they please. If the rule is not changed from 9% reserves back lower, some banks could be in serious trouble and we couldn't have that could we?

Just to show you banks in Europe have already received more than $3 trillion in additional liquidity and now they want $1 trillion more.

In the meantime, over at the ECB under Mario Draghi, super Illuminist; the ECB has secretly supporting the euro, while over in Switzerland the SNB is intervening in the market to cheapen their currency. Both operations are very expensive. The simple thing for the Swiss to do is tax SF deposits by 1% as they did in the 1970s.

This past week both Greek unions and employers' associations rejected private sector wage cuts. Greek wages are double those of their travel competitors, because Greece uses the euro, which prices them out of the market. As you can see solidarity reins and nothing is going to change that, until the April election is over.

Negotiations are still ongoing respecting Greek private debt, which is a waste of time.

The Greek government, who's appointed president is an Illuminist, has demanded minimum wage cuts, further salary cuts and the elimination of 150,000 jobs. Isn't it great when your president works for the enemy?

In late March Greece faces a $19 billion bond redemption, which we see means nothing at all. You cannot get blood out of a stone. They'll just have to wait just like everyone else. Negotiations are in progress. Thus far private investors would take real losses of more than 70% through a 50% cut in the face value of the bonds, along with lower interest rates and a 30-year payment period. Unless the ECB and national central banks join the deal we see no deal. Why are they different than any other creditor? Even with all the cuts that have been made by the Greeks they still cannot meet targets in their original bailout agreement of May 2010 of $14.5 billion. Is it any wonder 30% of stores in Athens are shuttered and people are leaving the country in droves?

Over the next two months Greece will probably default and that will cause CDS, credit default, to have to pay off and the question is do the banks in NYC have the funds to do so, and will their counterparties come through and pay off on their bets? If they cannot fulfill their obligations the whole derivative market could collapse. These banks own the Fed, so they will be bailed out again. How much probably $70 billion. Is that a lot in today's world? No, not at all when just six weeks ago the Fed lent, via currency swaps, $1 trillion to the ECB.

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