Money, Credit and the Hike in the Price of Crude Oil

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How do you create your own monsters? Over the past month the US and Europe have been telling us they will agree to release oil reserves into the market to drive down prices. What are they waiting for? It is expected there could be serious supply disruption, but yet no action. Incidentally, in all the media we see no admission or comment that those nations' actions were responsible for oil prices at $107.00 a barrel.

Over the past month China and India have been avoiding oil sanctions by agreeing to trade for local currencies commodities and consumer goods. The trend continues, but leaves Iran with a shortage of currencies. In addition Iran is helping Syria by supplying an oil tanker. That oil is shipped directly to China.

Appointed Greek PM Papademos informed Europe late last week that a third bailout cannot be excluded. Just as we predicted. There will be no end to these subsidies. The idea is to keep bleeding Greece forever.

This past Friday European governments called for a bigger financial emergency fund, extra engineering a firewall to fight the regions debt crisis. The firewall commitment is $1.1 trillion, and of that $320 billion has be set aside to fund the ESM due July 1st.

If you remember more then several months ago we told you it would take $4 to $6 trillion to bail out Italy and Spain. These firewall funds are supposed to protect the sovereign debt of some six countries, and $1.3 trillion cannot accomplish that. They'll need at least four times that amount. As you can see, the entire program is deceitful and these subsidies, if allowed to, will continue for years with Northern European taxpayers footing the bill for these subsidies. They believe eventually Europe will never be able to tear away from the grip of world government. Those of you who have been paying attention are witnessing the demonstrations, violence and arrests in Spain and it appears it is escalating. Cutting the budget by 1/3 under the circumstances is stupid. That is a fall in the public debt from 8.5% to 5.3% of GDP.

In Greece, the Greeks know they cannot nor do they want to, meet the terms of their financial agreements. On April 29th an election is due and that has caused a splintering of the vote, which pollsters believe only gives the two major parties some 35% of the total vote. This means political instability and perhaps social and political chaos not seen in Sprain since the 1930s. This is what happens when people are without hope in any country. During May and June chaos will reign and the austerity-bailout deals will have to be canceled plunging Greece into default, something that should have been done three years ago, and all of this could in part been avoided.

In the Greek election that many never happen on April 29th, or maybe May 6th or perhaps

May 13 Pasok and the Democracy Parties, as we pointed out before, may only get 35% of the vote together and if they do not win there will be no parties to pledge support to cutting more public spending of 5.5% of GDP. That means no bailout in a fractionalized government. Those kinds of cuts will flatten the economy totally. Greek debt is still more than 100% of GDP, or $440 billion.

It only took three months and Spanish PM Rajoy is losing support as millions of Spaniards demonstrate in the streets. The voters in Andalusia failed to give him a majority, as well. Already Rajoy is in trouble.

Avoidance of a Greek election is only going to make things worse. As it stands now Greece is going to end up in chaos and if that happens Spain and others may follow, upsetting all of Europe.

This past week's results of EU member meetings may have set the stage for bailout, but it will be interesting to see if the funds are found to accomplish their ends. Many professionals are not convinced that all will go well in Greece, or for that matter in Ireland, Portugal, Italy and Spain. Many believe they are facing a global government finance bubble. Let's face it; the risks are massive, because all governments and the financial sectors have all taken the route of expansive money and credit that will all end in bubbles.

Like all the creations of the last few years' currency swaps by the Fed, commonly known as illegal loans, to the European Central Bank is just another form of welfare that they know will only try to work in the short run. A virtually free service provided by the banks that control everything. It is all risk free of course, because bankers supposedly know what they are doing. That is how they put us in the position we are in the first place. These loans, created out of thin air do not create economic goods and services or a recovery, especially who 800 banks refuse to lend any of the funds out to business to increase business and employment. Mind you this is virtually free money – like financial welfare.

In another orgy of free money the Fed tells us that it bought 61% of US Treasuries issued in 2011, and as we said in an earlier issue that program, Operation Twist, was a disaster. Again, the Fed was undermined by its own so-called allies. This exercise, just like the year before, has just barely kept the economy alive.

If House bill (HR-4180) by Rep. Kevin Brady (R-TX) makes it out of committee it would strip the Fed of half of its dual mandate. It would no longer have to provide full employment they would only have to insure price stability. Like the efforts of Ron Paul over countless years, who expect billions of dollars will be passed out in bribes and nothing will happen. The only way to recapture the system is to bring it down.

The Fed oblivious of history pours money and credit here, there and everywhere, keeping many currencies from failing and supposedly giving them viability. If needed more money is extended with a hope someday it will be repaid and, of course, it won't be. The extension of debt central banks believe can go on forever, and needless to say, that is ridiculous. Something you probably missed in the Copenhagen meetings was that there was a proviso to supposedly increase competition within rating agencies by forcing rotation and to draw in European agencies. This was a move to have less rerating encounters, so as to deceive the public.

Money is readily available to banks and to an extent to major corporations, which in turn have used part of those funds in western stock markets sending them close to new highs. Most economies are sputtering at best and investors ask how can this be? Well, that is why markets are up in spite of lack of participation and volume. That means there is a limited market to sell into. The buyers are not there, so the banks have to sit on the shares. 70% of the volume is algo trades that last 8 nanoseconds. That adds no liquidity to the markets. There is no longer a retail to dump the shares on.

Now that the G-20 has decided how much money will be donated to the EFSF and the ESM, they now want $500 billion more from the IMF, 19% of which is paid for by US taxpayers. The bulk of those additional funds are to come from emerging market economies. The BRICS have said that they will not participate without an increase in their voting power.