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Saving The Eurozone. Will it Work?

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It is now clear to the most casual observer that the world's monetary and financial system cannot function without massive amounts of additional money and credit. That means the system no longer functions the way it should. Europe really doesn't know what to do and neither does the Fed and the Bank of England. The exception is throwing more money at the problem and keeping interest rates near zero indefinitely. Many US, UK and European banks are insolvent. The real estate market continues to deflate throughout Europe with the exception of Germany, which never really rose in price. Again, there are no solutions offered to solve this problem. Just as there are no solutions elsewhere. These conditions tell us the euro has serious problems to face as does the pound and the US dollar. You have to then say to yourself against what. Each currency has its own problems, thus, the only alterative is to measure each currency versus gold and silver. These are the true benchmarks, and when compared over the last 11-1/2 years, versus nine major currencies gold and silver on average annually have appreciated more than 20%. That tells you anyone holding currencies has been a major loser.

In the US and the UK banks are insolvent as well, because books are market-to-model, not to market and many carry two sets of books. Without a total audit one does not know the actual condition of these financial institutions. Market players and investors do not want to know the truth, because they cannot handle it. It means it is the end of the game – it's over. That is why Wall Street and the City of London casts a blind eye at all the government manipulation going on. They go with the flow hoping the system will keep functioning.

Americans and others have been sold a bill of goods concerning US supremacy in the business and financial worlds, which means they have been propagandized since WWII. It is beyond the capability of most Americans to understand that they have been sold one lie after another and they bought it hook, line and sinker. Even if they discover the truth making seminal changes is very difficult. Thus, you can have 70% of people over 65 years old that have discovered the truth that are generally incapable of acting on it. The 25% of these retirees that have investable funds are frozen in the headlights and few make the necessary changes to hold on to their assets. If their assets remained static inflation is destroying their purchasing power year after year. Some will switch into gold and silver related assets, but very few. Good people who have led exemplary lives could lose most of their assets if they do not make changes. Once the system goes down there will be no way back. Ask the people who didn't listen in 1929.

Now that Europe has a new formula to ostensibly save the euro zone and the EU we can for the time being take a look at other problems. We find many smaller and medium sized banks cannot payback TARP funds. That means some of them may be approaching insolvency. We also notice that the FDIC for some time no longer issue late Friday updates on bank failures. Municipalities are having major trouble and that will continue. It is taking a little longer than expected for these entities to head into bankruptcy. Many know the government is broke, so it is no longer a secret. Those who feel safe in an FDIC bank account had best think again. The FDIC is broke and if they had to pay off billions they could not, unless Congress gave them more money to do so, which the Fed would create out of thin air, and cause more inflation. The public's shocked and in denial and that state will only change gradually and eventually these Americans will pull their funds out of the system and put the proceeds into gold and silver coins, bullion and shares.

That means they will be able to function when checks, debit and credit cards no longer work.

We are entering a time of falling currencies, as more and more money and credit are created to save the system and the power centers of the Illuminists. Now that for now Europe has been saved, al the elitists have to deal with is the fallout from QE 3. That should occur soon. That is why the PPT is still trying to keep gold and silver down. It won't matter, because gold and silver will still go higher.

After 5-months of dithering, Europe has finally put together a temporary deal to save Greece, the euro zone and perhaps the EU.

Bondholders, mostly banks, accepted a 50% write down on Greece debt. This deal was offered two years ago, but the banks and Germany refused the offer.

The funds available are $517 billion, which will be elevated by use of derivatives to $1.4 trillion. That should last a year dependent on how much money insolvent members will need. We call this temporary, because of a fast slowing economy and the needs for new lower interest loans by Ireland and Portugal. If our original estimate for the six countries is correct this exercise will have to be done three more times over the next two years. Not one of these bankers and politicians dare look down the road at the future. The problem has not been solved; it has just been extended.

The deal includes recapitalization of Europe's banks and a larger role for the IMF.

This comes on the heals of the realization that if the banks did not write off 50% of Greek debt, Greece then face total insolvency, as did the banks. This shows you the tremendous grip the bankers have on European politicians. This also sets the stage for Greek bailout two. The first was for $154 billion; the second will be for $182 billion for a total of $336 billion. Of the second tranche the IMF will supply $3.8 billion. It should be noted that recently the ECB, European Central Bank, bought $237.3 billion in Greek, Irish, Portuguese, Spanish and Italian bonds to keep the bond market from collapsing. In addition outside money will be pursued. France's Sarkozy is talking with Chinese leader Hu Jintao for assistance. In addition banks will have to raise $150 billion by June 30, 2012 to reach core capital reserves of 9%, after writing off sovereign debt holdings. In the interim no dividends or no bonuses. Incidentally, of that $150 billion, $36.7 billion must be raised by Spanish banks and $20.7 billion by Italian banks.

What is of great interest in this deal is that German politicians have sold out 65% or more of the voters and the High Court has said nothing about the extension of the new legislation that includes the German gold reserve being used as collateral in case Germany cannot fulfill its obligations. That won't go over well in Germany. Many House members will not be returning after the next election.

Another factor is will Ireland and Portugal ask for a 50% reduction in debt, not just lower rates? We guess some are more equal than others.

We might also ask, what happens if the derivative market comes unglued? In the case of Greece its debt is projected to reduce Greece's debt to GDP to 120% by 2020. You can't make up stuff like this. This projection is worthless.

Mr. Sarkozy of France is seeking funding from China. Europe is China's biggest export market. It will be interesting to see if they participate and on what terms.

Greek PM George Papandreou said the government will buy shares in some Greek banks in a nationalization process. After restructuring the shares would be sold on the open market.

The bank write downs of 50% on their Greek holdings means $3.7 billion debt insurance contracts won't be triggered according to the International Swaps and Derivatives Association. The amount is interesting. The street said the number was $75 billion; we say $150 billion. As we said long ago, a deal had to be made to save the NYC legacy banks.

As we mentioned Ireland and Portugal may want the same deal Greece received. The bankers took a 50% loss. Why shouldn't Ireland and Portugal expect the same? At the least they should receive cheaper interest payments on aid, and longer to repay it. Why is it acceptable to write down Greek debt, when the Irish pay private bankers' debt? The IMF says Ireland's debt will be 18% more than GDP in 2013 or $280 billion. The bottom line is that the ECB had best deal with these problems quickly, or they may have a couple of tigers on their hands.

As Europe's problems and another downgrade of US credit looms, even though in a manipulated market, the issue of unpaybable debt doesn't go away. Almost everywhere we look problems are being extended and thrown into the future. How long it will take for the world monetary system to collapse no one knows, but it is inevitable.

Various solutions have been offered and even if some were adopted this past week they are never going to be enough to change the course of the future. Creating more debt cannot solve debt problems and Europe's bankers know that. All their moves are to save the financial system and nothing is done to save the economic system. The elitist Illuminists are only interested in saving their power base from which they control the world.

As we pointed out in the last issue chances are very good, that interest rates will be lowered by the ECB now that Mr. Trichet is gone.

The failure of Dexia two weeks ago should strike the beginning of a long line of new formations of good bank bad bank creations. In this case all the good assets stay in Dexia and the bad assets are shunted into a companion bank run by the government, so that Dexia can survive and that the public is allowed to take the losses. There will be scores of banks, not only in Europe, but in the UK and US; that will follow this template until they are all merged, eliminated or nationalized. Ring fencing or circling the wagons won't work. It only puts the unpayble debt burden into the future, so that citizens can pay for the excesses of the bankers.

No one has as yet told us where the latest $500 billion swap by the Fed went. We did see the ECB wildly buying Italian and Spanish bonds and somehow found funds to start another round of bank loans. During that time frame miraculously Wall Street banks made bail out loans to EU banks. These are the same NYC legacy banks that control 70% of US banking, that would not lend to small and medium sized US businesses that create 70% of new jobs. Interesting observation we'd say. That is further proof that these mega money center banks have had little inclination to help the economy recover. All they are interested in is profits and how big a share of the banking market they can capture.

If Greece defaults a number of banks will follow it into bankruptcy not only in Europe and England, but in the US as well. The only thing that can save the EU is a compromise by Germany, and if its politicians sell out to the New World Order banks then the CDU will be out of office for the next 12 years. As this conflict goes on the euro rises in value in anticipation of a deal, if only temporary. This is similar to the Dow, which just rose from 10,500 to almost 12,000 on the inside information that there soon would be QE 3.

Currency debasement is the name of the game worldwide. That tact showed up in England and in the ECB, as they poured funds into their economies two weeks ago.

The key to Germany's monetary ascendancy, which has gone somewhat unnoticed by the media and western politicians over the years, has proven the power of the German people and their economy. We saw first hand the progress through the 1950s and 60s, which was based on sound monetary and fiscal principals. Even though Keynesianism and Socialism was stuffed down Germany's throat they eventually took another path laid out by Ludwig Erhard and Wilhelm Rapke, which produced a sound currency and they cast aside all of the financial demands of their occupiers, who still happen to be in Germany. These events set the stage for the success we have seen over the past 50 years. The allies were outraged that Germany could and would do something so successful. By 1955-60 they were leading

Europe again and it has been so ever since. The entire West was incredulous, as Germany became the leading European economy, as it emerged from the rubble. Now Germany is the nation that must save Europe from collapsing. The formula being demanded by the US and their mouthpieces is more leveraged debt, which the Germans know won't solve the problem. Germany's Merkel as you have seen, has gone along with the program. We'll see what the voters think after the next election.

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