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The European Debt Crisis: Unstable Currency Markets.

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Even the middle of the road journalists are beginning to question Europe's elected and appointed leadership. This past Monday the plan for the euro zone was laid out for a final capitulation to world government. The financial crisis has been handled from behind the scenes by the Fed, so that Germany's Chancellor Merkel and France's President can concentrate on more important matters, namely the final federalization of the euro zone to be followed by the entrapment of the remainder of the European Union.

The calls for major changes to the current treaties have little to do with the debt crisis. What these two emissaries of the world elitists are up to is to tear down the legal strength of monetary and political union of this unnatural association, and replace it with a stricter budgetary discipline known as the ESM, the European Stabilization Mechanism, this ostensibly to support countries in difficulty. Within this major change is a complete shift away from the original Maastricht and Lisbon Treaties, which is being done without the consent of the public in these countries. There is one exception to that in the case of Germany that must approve the changes.

On the 9th the final proposals will be laid out and agreed upon by various heads of state, some elected and some appointed. This "leadership" could care less what the people of these countries think. There are no trappings of democracy here, just the iron fist of Illuminist world ambitions. Any thinking, sophisticated person has to look on in disbelief at what is about to take place.

The plan is to have a committee of 8, assisted by 17 immunized finance ministers control the budgeting and fiscal policies of these 17 nations, which strips them of their sovereignty.

We read writer after writer and they do not have a clue as to what is being done to the people of these nations. They don't know these appointments are all members of the Trilateral Commission, Bilderbergers and former Goldman Sachs employees. If they do know they are ignoring its significance. This is where Messrs. Draghi, Monti and Papademos all came from appointed to take the euro zone and eventually the EU into world government.

We have studied these characters for more than 50 years and we know exactly what they are up too. It is the job of these 3 Sherpas to continue to advertise the increased risk to financial and economic conditions, if such treaty changes are not made. This is a charade to mislead and misdirect the people offering them the only way out. Unfortunately, as far as we know, our voice is the only one being heard in exposing the real intent of what is being pulled off. There is no question that there is an economic and financial debt crisis, but these treaty changes have little to do with that. Their key phrase is price stability when real EU inflation is running more than 7%.

Since July the ECB has refused to expand money and credit. A month ago control passed from the hands of Trichet to Draghi, who immediately lowered interest rates, which we predicted he would do – no one else made such a call. The ECB still hasn't printed euros, but the Fed is going so in its stead. The ECB is buying Italian and Spanish bonds, but only about $20 billions worth. The ECB, known to few, has been sterilizing its sovereign debt buying by draining an equivalent amount of euros from the banking system. This is the antithesis what central banks do. The Trichet ECB wanted their actions not to create inflation. This is why inflation has held so well in Europe. That is all about to change as the FED takes over. The funds to purchase bonds and supply liquidity will be available to jump start Europe as inflation climbs.

All of the players knew austerity plans play well and eventually work to tear down an economy, but short term they are a loser. The only thing that works is more and more money and credit. Who wants to stop economic growth. Up until Draghi took over the euro has not been wantonly destroyed. Just be patient Draghi will end all that.

We know it's hard to believe, but debt is not taken seriously. Many things today were similar to 19th century England, where government workers, attorneys, politicians and moneyed people made six times more that a skilled worker. That should sound familiar in today's economy. In those days those who did not pay went to debtor's prison, or worked off their debt. Today, few care about debt; it is usually just discharged. We mention this because since WWII the whole attitude regarding debt has changed. Accumulate it and simply walk away from it. This has become the attitude of nations, companies and individuals.

The call comes each day for the ECB to lend to sovereign states when in fact those who request these loans know under Article 101, that the ECB is prohibited from lending to any government.

We now have 5 and perhaps 6 nations that cannot service their debt and the ECB cannot legally lend to them. During the past two years, with the exception of bond purchases, which had been off set by the purchase of euros, Mr. Trichet had refused to break the rules. He is gone now and the Federal Reserve has filled the ECB's place. It had to happen sooner or later. That is the Fed becoming banker officially to the world. The process really began more than three years ago, as we have been in the process of finding out just what the Fed was up too. They were responsible for the disbursement of trillions of dollars, which they withheld from the public. That is exactly what America needs, a privately owned central bank, that operates in secret and when asked what it is doing we are told it is a state secret.

These insolvent sovereigns are now paying yields over 7% on 10-year bonds and we know that kind of debt is unpayable, and it is a sure sign they'll eventually default. In order to extend the time line the Fed has become the lender of last resort, and that bill will be paid for by dollar holders, as the value of their dollars depreciates in value.

The object, as we are seeing, is the repudiation of the EU treaty, for rules allowing the ECB to create money and credit out of thin air, and act like the Fed and other central banks. Illuminist Mario Draghi will do his best to see that this happens. Of course, thrown in for good measure will be the stripping of sovereignty from the 17-euro zone members.

These solutions will negatively affect both the euro and the US dollar, both for now the best of the worst. The migration, the flight to quality, will of course lead to gold and silver, as it has been over the past 12 years, as we predicted it would. Gold is the only viable alternative from a monetary viewpoint, and it will continue to be so. In spite of US government intervention, and manipulation of many markets, including silver and gold, they relentlessly increase in value, because they are the only real money. Every time they knock gold and silver down all they do is give buyers the opportunity to buy more at artificially reduced prices. We have news for the elitist what they are doing is not going to work, and they know that, but we also know it as well. We know that almost all costs to sovereign nations today are debt services, and Italy is a good example. Who wouldn't want to dump currencies for real money – gold and silver.

Direct monetization does not solve the problem; it just extends the time line. You cannot solve debt by adding more debt. The problem is always liquidity, when in fact the problem is systemic insolvency. No matter how much money is thrown at the problem it is not going to work. The Fed is not cooperating with foreign central banks to undertake liquidity swaps. The other foreign banks are just a cover; the Fed is doing all the swaps. The other foreign banks are just a cover the Fed is doing all the swaps. Why do you think Treasury Secretary Geithner will be in Europe this week to explain to leaders how the Fed will run the show and all they will have to do is implement budget cuts and increase taxes, and to concentrate as well on relieving 17 countries of their sovereignty If anyone ever needed an execute to audit the Fed fully this is it. This is 2008 all over again; only this time it is foreign governments that are the focus of attention. The Fed will proceed to create trillions of dollars, which in turn will create higher inflation to go along with that, which is already in the pipeline. Any semblance of sound money is history. One thing is for sure today's central banking and Keynesian corporate policies are failures.

As a gauge of currency strength the US dollar index, USDX, loses status each day. All it shows you on any given day, which major currency is the best of the worst. The only true measure can be the value of each currency vs. gold and silver.

The squeeze in lending is not as bad as in 20008, but banks are reluctant to lend to one another. This tells us that banks are very skeptical that the latest swap arrangements will work. Bankers understand higher taxes and austerity underlie recession and falling tax revenue, which translate into inability to service debt. What is almost never mentioned is political challenges to sitting heads of government, both elected and appointed. Thus far no congress has balked. If they should, say in Germany, that would throw all the elitist plans upside down. It should be noted that 65% of Germans are opposed to what has been taking place under their government.

The bottom line for Europe is they have not chosen selective default, allowing the weak members to phase out of the euro zone. They really cannot allow that because if they do the euro zone would begin to break apart. Unfortunately, for them it is going to happen anyway.

The latest bailout by the Fed of European banking interests smacks of moral hazard, but do not be concerned the elitist could care less. Of course, the European elitist answer to the ESM, which has little to do with solving the insolvency crisis and lots to do about removing the sovereignty of euro zone countries and eventually that of all 27 EU members. Do not forget the original Maastricht Treaty had a maximum of public debt of 3% of GDP. If you exceeded that you were to be fined. No one was ever fined and these countries all went over the limit. Why are we to believe that it will be any better this time?

At least for the moment selective default is off the table since the Fed is now really running the show. Although we believe they know Greece's exit from the euro is inevitable. That will make it easier for Portugal and Ireland to exit as well. That should begin in March. Now the Fed will again inflate Europe into an extended time line. The elitists believe they can balance the problem of imbalance by allowing the strong countries to subsidize the weak indefinitely via the European Stability Mechanism.

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