Blowing Up the Euro

And she sees further weakness in the euro, now trading below $1.30 versus the dollar, and likely to move ever lower into the New Year: “In the absence of a comprehensive European policy response to the debt crisis, the euro could test its 2010 low of $1.18.” This would imply at least another nine-percent loss in value in less than a year.

She touched on only one of the few remaining options open to keep the euro from blowing up altogether: more austerity on the backs of the citizens of the member states who took excessive advantage of lower-than-market interest rates to load up on debt that they can't pay back. She noted the survey that came out over the weekend indicating that a key European manufacturing index remains persistently below recovery levels, with further declines into a full-blown recession in Europe likely. Additional austerity measures would simply hasten that recession. Kathleen Brooks, director of research at FOREX.com, told her clients: “We remain a sell on rallies (with the euro) as we tend to think the euro zone crisis will actually get worse before it gets better.”

That’s one option: Increase the pressure on the taxpayers to do with less and pay more. Cutbacks in salaries and pension and health insurance benefits for government workers are already sparking riots is Greece, with concerns growing that such unrest will spread elsewhere as the screws are tightened.

Another option is that which is continually being proposed by the enablers and instigators of the crisis: a “national treasury” (George Soros’ phrase) with unlimited ability to borrow, lend, and create. As Soros sees it, that’s the only real and viable option: “It takes a crisis to make the politically impossible possible. Under the pressure of a financial crisis the authorities [will] take whatever steps are necessary to hold the system together.” At present Soros complains that the “national treasury … has yet to be brought into existence. This requires a political process involving a number of sovereign states. That is what has made the problem so severe.”

It’s that national sovereignty that keeps getting in the way of Soros’ solution. He says his solution would require a new treaty among the eurozone members, but the German citizenry is getting nervous. Soros wrote,

> The German public still thinks that it has a choice about whether to support the euro or to

> abandon it. That is a mistake…. The longer it takes for the German public to realize this, the heavier the price they and the rest of the world will have to pay.

Oh, the guilt! It's those ignorant Germans suffering from an excessive dose of nationalism and frugality that keep getting in the way of the final solution for the euro.

Still another option is allowing members who are tired of the charade and frightened by the consequences of such a national treasury to leave the eurozone altogether. Christopher Booker, writing in the *Telegraph*, says that isn't a pretty option:

> They are all now completely boxed in. Even in practical terms, it is too late for such a remedy. A country leaving the euro would find itself in a worse mess than ever. Its regained national currency would be instantly devalued, leaving it even less able to repay debts contracted in euros than it is now. Defaulting banks and defaulting countries would send shockwaves through the entire European economy and spread chaos in every direction.

The one option remaining is the one that "the sad little nonentities who preside over the affairs of the EU" (Booker's apt description) are left with: Kick the can and inflate in the meanwhile. The real problem isn't the debt so much as it's the risk of failure of the banks that assisted and enabled the countries to help themselves to unsustainable and unrepayable loans in the first place. It's the banks. It's always the banks. It's forever the banks. Their solvency is paramount in the elites' world of finance.

Time is running out. Austerity isn't working. The political realities of continuing to push against sovereign interests such as Germany's remain harsh and unyielding. Kicking the can is buying less and less time. If the European Central Bank makes a substantial about-face and begins to "take whatever steps are necessary" (Soros' words) and starts purchasing the worthless paper the precious banks are holding, then the problem will be solved. Inflation of the euro to infinity will result in its reduction in value to zero, with the natural inevitable and historically predictable result of an upheaval in society (read: Argentina) that will finally cure the hubris of "the sad little nonentities" who birthed this stillborn child of the New World Order.