

# Should we prohibit the access of all Financial Markets to the High Finance of the Euro Zone (19)? Part VI: Global Risk.

## A. PREAMBLE

The article I propose you read was written in November 2009, and last reviewed in November 2010. I republish it in 2022 without modifying it because, by rediscovering it ten years later, I know that the analyses devoted to Foreign Trade will be able to surprise the most informed readers.

Indeed, since then, the Trade Balance of the EuroZone has become planturous, essentially "thanks to" Germany but, in fact, I had put the finger where it hurts: apart from Germany, the (destressing) management of the euro has amplified the phenomenon of relocations, in fact saving imports, and the flight of liquidity to the "speculation markets". We will therefore talk about it in more recent articles but, to date, our hyper-deficit trade balance vis-à-vis Russia (gas imports) and China (wild imports) have put the entire European Union in a furious position. Similarly, you will read that *"hyperinflation is over!"*

In 2022, this claim may turn out to be false but it was true until 2014.

The reason? We will see in other articles that High Finance has continued its games of "dirty kid" to the point of impoverishing the richest countries (financially) of the Euro Zone to avoid the fatal pirouette to the high finance of the Euro Zone but also to all the financiers of the Non-Euro Zone.

It is therefore with pleasure and great pride that I invite you to discover, just below, that I had already identified the problem of the  $\Delta\text{PIB} < \Delta\text{M3}$ .

Since 2010, the pernicious mechanics have accelerated, we will talk about it again.

## B. REMINDER OF THE EMBARRASSING FIGURES.

### a) GROSS DOMESTIC PRODUCT

**At the last score (revised at the end of September), the Gross Domestic Product of the Euro Zone** was officially estimated at 8,959.4 billion euros (€MD), against 9,244.7 billion euros at the end of 2008, a decline of -3.09%. The projection for 2010 suggests that the level of €9,250 billion will be reached again.

On the other hand, these estimates are "at current prices", and therefore it is enough to systematically break the price thermometer to display GDP growth "at constant prices" in the EuroZone.

### b) PROBLEM? $\Delta\text{PIB} < \Delta\text{M3}$

Since the creation of the common currency, not only has GDP growth been low (of the order of 1.0%, at constant perimeter) but, in addition,

1. The M3 money supply has more than doubled: from €4,445 billion at the end of 1998 (creation of the euro at 1/1/1999), it rose to €9,420 billion at the end of July 2010.
2. During the same period, current GDP increased by 50%: from €6,150 billion to probably €9,250 billion.

**Clearly, there is now more money in circulation than wealth created in the Eurozone.**

So there is more and more "fake money"....

Thank you to the ECB and the entire European System of Central Banks (ESCB)!

The GDP displayed under these conditions is a bit like being served a grand cru wine, baptized with 50% water: you have the illusion of having a "good bottle", with "a good label" and "a good year", but this bottle of 50 cl (instead of 75 cl) now contains an infamous beverage.

**c) EMPLOYMENT & UNEMPLOYMENT.**

**For larks of all kinds (), this kind of detail is not interesting: spring has returned (end of the decline in GDP) and the crisis is behind us.**<sup>1</sup>

• Of course, they forget to talk about **the Job Market**: between the end of 2008 (147.9 million jobs) and the end of March 2010 (144.3), more than 3.6 million jobs disappeared in the Eurozone Economy. • They also forget to talk about **unemployment**, which now affects more than 15.8 million people (end of March and end of July 2010) against 11.9 million at the end of 2008 : +32.7% in two years. However, within the OECD, these figures are constantly being tampered with, as everyone knows: • It is enough to work 78 hours in the month to no longer be part of the jobseekers of the new category A; • The administrations are multiplying the traps to exclude applicants - manu militari - by hardening the famous "mandatory procedures" and sterile interviews that discourage applicants, especially young people. So, thanks in passing to "our social partners" French (the unions and the MEDEF) who have concocted for us a Society and an Administration (Pôle-Emploi) as barbaric ...

- They invent traps of all kinds to park applicants in useless training or to switch them to "subsidized jobs" that do not even allow beneficiaries to pay their rent.
- They force jobseekers to adopt the status of auto-entrepreneurs by enrolling them in "training", led and directed by people who have never set foot in companies.

**d) ANOTHER CONSEQUENCE? POVERTY...**

**Thus, for a population of nearly 330 million people, the Eurozone had 52 million poor people at the end of 2008.**

In other words, 16% of the Eurozone population had incomes below 60% of the poverty line. Of the 16%, 8% of this same population had a job, supposed to make them live with dignity (working poor). However, this poverty line, set at 60% of median income, itself varies from country to country: from simple to quadruple. 1. It was €10,541 per year per person at the end of 2008 in France;

2. in Luxembourg, it was €18,550;

3. for Greece, it was €6,480;

4. for Portugal, it was set at €4,886.

5. ...

**Astuteness? Calculation of the Poverty Rate**

It is the **country's median wage** that serves as a benchmark: half of the employees of the population in question earn less, and the other half earn more.

By taking 60% of this median salary, EUROSTAT statisticians "ignore" that the figures of black misery already start at 50% of this median wage.

2010 forecasts: Without taking into account the dramatic situations in the most affected Eurozone countries, it is to be expected that 25% of the Eurozone population will have incomes below 60% of the poverty line.

**e) ANOTHER EMBARRASSING FIGURE : THE PUBLIC DEBT .**

High Finance was in generalized bankruptcy, and it momentarily bailed out by tapping into the coffers of the State and blocking revenue growth: the Public Debt has happily increased from 65% to nearly 80% of GDP. For the engines of neoliberalism, it is rather "the engine breakdown ": Ireland was indebted to the tune of 25% of its GDP; by the end of 2009, it had risen to 65%.

For the others, increases in public debt will be of the order of +20% between 2008 and the end of 2010.

1 The birth nam of Christine LAGARDE, director of the IMF, is LALOUETTE. In French, the lark is that bird that takes height before reaching its nest on the ground by taking the precaution of landing away from the nest to deceive potential predators.

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#### **f) ANOTHER BLACK SPOT: FOREIGN TRADE.**

Our current transactions (still in the Eurozone) were in deficit of -€153.8 billion in 2008 and -€55.9 billion, mainly due to the losses of High Finance on financial and stock market investments and because of negative investment income; • China and Russia are causing us deficits in the goods balance;

- The United States cost us a loss of €45 billion net for the two years 2008 and 2009 (high finance) in the balance of services;
- Japan is growing our technology deficit to the tune of €30 billion each year.
- The European Institutions cost us €46 billion a year, mainly to maintain a Eurocracy devoted to lobbies. **When a current account is in deficit, the rule of major balances is necessary: companies must not reduce their investments on national soil because the impact is in this case doubly negative.**

To redress a country, the rule is that a country avoids capital flight under Direct Investment. Well, here again, the EuroZone is poorly managed: industrialists and large traders in the Euro Zone prefer to invest abroad to produce, then to import goods and services within the Euro Zone, to the point that, at the end of March 2010, the estimated amount of their investments abroad represented the modest sum of €4.319 billion while foreigners had invested €3.469 billion on the soil of our monetary zone.

In other words, the Eurozone has created from scratch an evaporation of more than -820 billion € in the field of direct investment, an evaporation that destroys jobs and incomes, and which deteriorates the competitiveness of our populations by depriving them of the means to improve and progress.

#### **The icing on the cake?**

As is always the case in times of crisis, the deficits in our balances of goods and services have returned slightly to the positive zone.

On the other hand, structural deficits are increasing (income balance and transfer balances), and they must be financed.

#### **C. THE OVERALL RISK?**

Instead of reducing the Eurozone's structural deficits, the European Central Bank feeds them; that's why we published:

*"The (disastrous) management of the euro"* (title of our second book, published by ALTER-EUROPA in January 2008)

*"Neoliberalism? A very old system... Why (must) fight it?"* (Published December 2007).

So, two books written and published long before the "subprime loans" crisis...

#### **Indeed, the ECB is fuelling the crisis in several ways:**

- First, they create fake money at arm's length;
- They allowed High Finance to take considerable risks on the Financial Markets and abroad; • They allowed them to relocate the management of these risks to tax havens and camouflage them in opaque "vehicles" (companies, trustees and foundations).

On the contrary, it should "force" or "encourage" Banks, Insurance Groups and Investment Funds to grant credits and loans to the commercial and industrial fabric, and especially to SMEs, to make medium- and long-term investments on "national soil".

In addition, these credits and loans should be granted at much lower rates, without setting such high ceilings (usurious rates) that the required returns on investment have become impossible to achieve.

**The ECB is therefore organising a "credit crunch", not only for two years but since the "liberalisation" of the**

### **financial markets in the mid-80s .**

By allowing banks and all of High Finance to acquire risky foreign securities for just under €10 trillion (portfolio investments and other investments), it maintains returns. it encourages "risk premiums on government bonds" to attract funds in search of high annuities for nearly €12,250 billion at the end of March 2010.

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### **The overall risk is there.**

The ECB favours a class of rentiers, national and international, to enlarge the balance sheets of Euroland's High Finance , and to compete with the dollar.

But in doing so, it has led European High Finance to widespread bankruptcy;

1. it has destroyed the foundation of the entire Real Economy;
2. people are marginalized.
3. Better, it has now led to a slippage in public finances, never experienced in peacetime: debt levels (relative to the corresponding GDPs) up + 20% in two years!

By adopting the **Euro Fort** policy, the ECB continues to seek funds abroad to allow European High Finance to camouflage its real losses, and to restart its pigeon shooting games, as if nothing had happened between 2007 and 2008.

**It encourages its casino players to "rebuild their health"... but the casino piggy bank is empty.** Apart from Germany and the Netherlands, the states are on the brink of collapse, and their external deficits have become unmanageable.

### **The overall risk? This is the implosion of the Eurozone!**

The permanent increase in banks' balance sheets, the race for capital and perpetual predations to allow them to post sufficient profits, all this is no longer possible because it is the Great Depression that will finally prevail... And there, dear friends of GDF-SUEZ, EDF, CARREFOUR, AUCHAN and all the others, you will look at the decline in your turnover and profits with anxiety, despite your increases and manipulations of all kinds... because soon there will be no more customers able to buy anything from you...

### **Hyperinflation? It's over!**

In other words, it is the impasse for everyone and, therefore, if the "great pundits" of the Real Economy want to survive, they will have to "go to the negotiating table" to invent another Europe and especially another Management of the Euro. At their disposal to really talk about it ...

The faster the better !

Thank you for reacting,  
JUNO Moneta

**ALTER-EUROPA**

*For another Europe...*

*And (of course) for Another Euro...*

