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GREEK REFERENDUM DEEPENS EURO ZONE CRISIS

Prime Minister George Papandreou decided to let Greeks vote on a bailout package -- a move that shocked the markets, infuriated Europe's Leaders, and threw Greece's entire euro zone membership into question. The leaders of France and Germany have scrambled complaining that Greece was trying to renege on the 130 billion-euro rescue deal that was just agreed at the summit just a week ago. The November Panic Cycle seems to be on target and this is now more than just the fate of Greece, but of the entire Eurozone. Italian bonds have fallen as yields are up 450 basis points.

What the European leaders refuse to consider creating a single debt and insisting upon austerity that will risk sending Greece into civil war or a dramatic shift to a nationalistic policy as was the case with Hitler when similar austerity pressure was placed on Germany is placing the entire Eurozone at risk.

The Greek opposition demanded a snap election and financial markets took this badly, albeit too late to save MF Global. Shares in banks nosedived as investors fled to the safety in the German bonds. The efforts by the European Central Bank to support the Italian bonds keeping rates from rising utterly failed showing that the emperor has no clothes.

French President Nicolas Sarkozy and German Chancellor Angela Merkel simply do not understand the risks they are taking could lead to the entire disintegration of Europe. You cannot kick the Greeks when they are down forcing austerity upon them instead of structural reform toward encouraging private business and shifting away from government employment. It is hard for Americans to understand because they are burdened with property taxes. This type of taxation is among the worst. If you lose your job and your house was paid off, you are still thrown out on the street because government still demands its taxes to line the pockets of government employees. You have no liberty. Your home is not your castle for you can never really own anything when the state can take it away in the blink of an eye all in the name of making things better for you. The Greeks had no such tax. Thanks to the Euro Crisis, unemployment is rising and now they insist upon property taxes that will result in making Greeks homeless. And this is the solution to save the bond markets?

Most European leaser say the Greeks “must be crazy” and never look at the other side of the coin. This whole thing is not working and whether the rest of Europe cuts Greece out of the Eurozone or the Greeks cut the cord themselves, the markets are showing they believe Italy and then Spain will be next. Europe is simply disintegrating and as that takes places, German exports to Europe will also collapse sending Germany down the rabbit hole as well.

Europe would have to consider turning off the flow of money which is keeping Greece afloat. Greece at this point should just default and restructure its economy from the ground up. Europe just does not get it and they will never create a single debt to match the single currency that would retain the economic unity and each state going forward would stand alone on future borrowing. That is the ONLY way to save Europe as a whole.

European stocks were hammered and they punished the euro. Normally, the stock market rises as the currency falls in a sovereign debt crisis. Right now, capital is running to the dollar and German bunds. There is a risk in European stocks where companies dependent upon European trade could lose out in this one if Europe breaks up for the trade barriers will return. European stocks will require close examination sorting the wheat from the chaff.

The possibility of a disorderly Greek default spreading as the ECB’s attempts to prevent the debt crisis **CONTAGION** are revealing the truth in Europe just as the Japanese kept waiting for government promises to support the markets as a failure. Now Japan is trying to intervene to prevent the rise in the yen cutting off their exports and worsening the economy. Meanwhile, Euro zone banks exposed to Greece and other troubled economies have fallen sharply such as UniCredit, which collapsed by more than 12.5% and France's Credit Agricole which fell by almost 10%.

Papandreou, whose ruling Socialist party has suffered several defections, has simply said he needs wider political backing. Politicians have to step aside for they are only voting for maintaining their own power and keeping the debt game going without any consideration of what they are really doing. This will no doubt send a wave of panic behind the curtain among G20 leaders meeting in France this week trying to convince China into throwing the euro zone a financial lifeline. If China does that, the entire world will be at risk because there is no long-term sustainability left in this current system of perpetually borrowing forever with no intention of paying anything off.

US leaders and economists are walking in the dark for they fail to comprehend that the Marxist-Keynesian agenda is dead. In 1931, the first to fall was Austria. The US will not be immune from a Greek default because it will eventually become a **CONTAGION** taking down Italy and Spain and then capital will look around and ask who is next.

We are at the point of no return. Most politicians are lawyers. They are not even businessmen. They do not have a clue what they are doing and pray that the economy will just grow out of this mess and it will be all over and back to borrowing as usual.