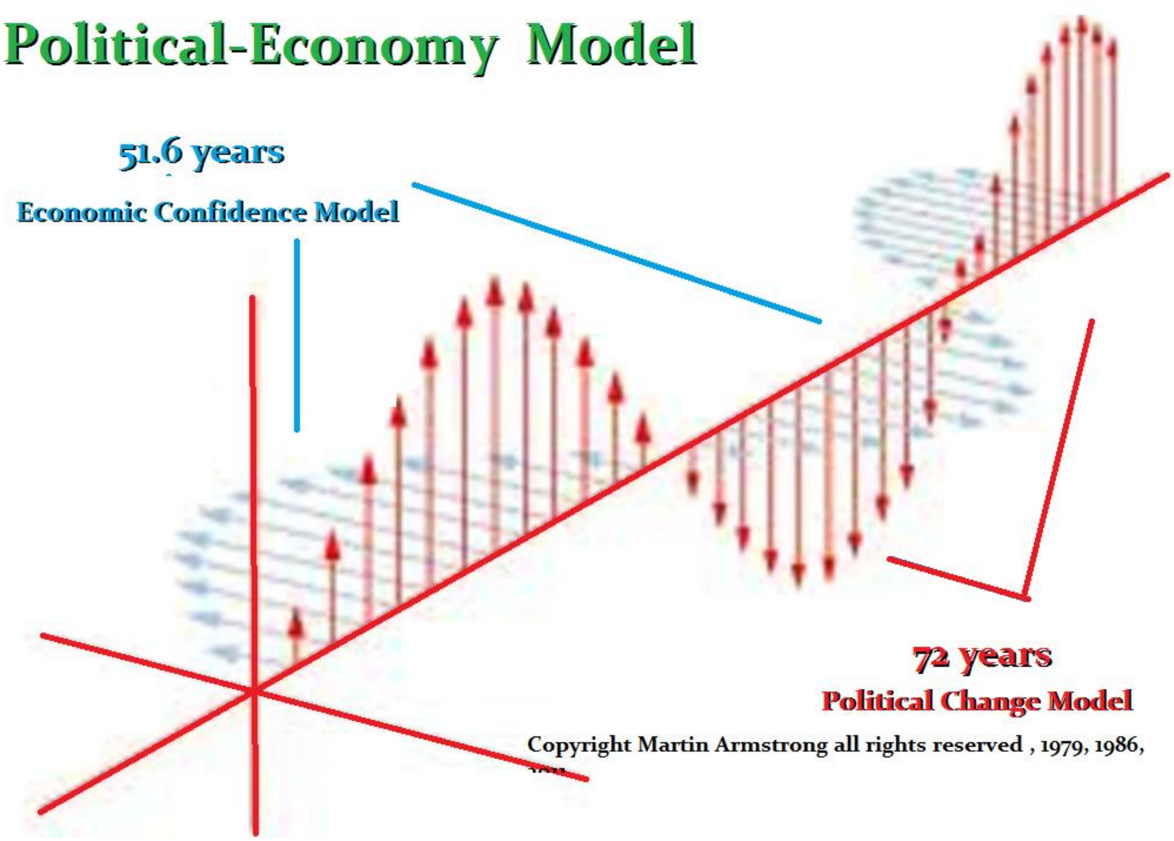
Now What's Going On

WILL SWITZERLAND STAND FIRM DEFENDING CAPITAL? MORE CHAOS ROCKS EUROPE

I have been told that the piece I wrote on how the save the Euro on August 21st, 2011, seems to be running around Europe like a dog in heat. More and more people are starting to jump on the band wagon about a Eurobond structure. This is getting more attention now after the failed German bond offering. The European debt crisis appeared to now escalate even further after a failed German government-bond auction on Wednesday, which is demonstrating that investors are now demanding higher risk compensation as perceived risks are rising that even engulf Germany. The very heart of the euro currency bloc's debt market has been Germany as people have flocked to those bonds as safety. However, some are now starting to realize that if the euro goes down the drain, what good will German bonds be? Switzerland has to stand firm and stop giving up clients to the West. This is what made the Swiss who they were – protestors against Government taxation. Switzerland. This is your time. Pick up the banner – it is time to lead the brigade back to sanity. As far as banks go, people are starting even in the US to withdraw funds from the big New York Banks shifting it to local regionals. Not ALL banks are the same! It is time to get particular. The Swiss should return to the old world model where you pay for security. There is an opportunity here for real bankers to stand up.

Germany tried to sell 6 billion euros and could only sell about half. The Euro has fallen 1% or so and that chilly feeling that started in many European's toes has traveled dead north making their noses now crinkle with bellows like: What the hell? Based on very good political sources, if Germany has to choose between austerity and saving the Euro, it will be the latter. It will take some time, but Germany will be forced to monetize. Europe is being torn apart at the seams because of their brain-dead structural



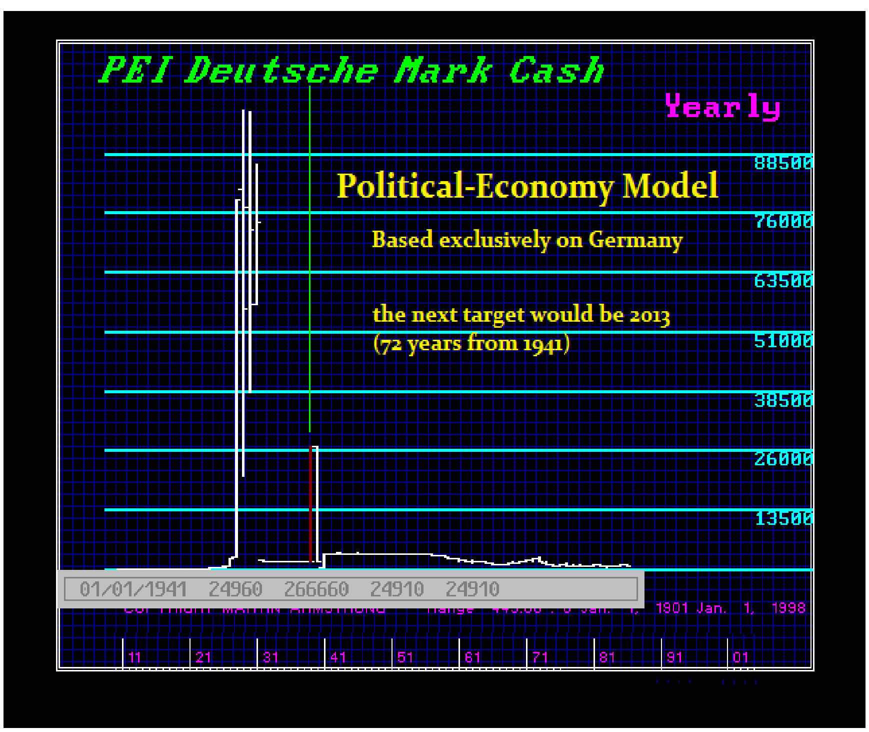
design. Youth unemployment in Spain has reach 60% in some parts. This is why politicians should **NOT** be allowed anywhere near economic decisions. They embraced Marx with open arms because it gave them more power. Now as we approach 72 years of this bullshit from the foundation of Bretton Woods, creation of the IMF, World Bank and perpetual deficit spending, it is time to pay the bill.

Many have written to ask where does the **Political-Economy Model** stand right now for the West. The answer to that question is the epic turn appears to be 2016. Bretton Woods took place in 1944. Adding 72 years brings us to 2016. This model has been uncanny in predicting political change incorporating the same frequency for volatility. The Russian Revolution of 1917 was right on target with the fall of the Berlin Wall 72 years later in 1989. This strongly warns that this wave in the Economic Confidence Model due to peak 2015.75, will be extremely important. This is the time frame we have been looking at for the past 30 years for the next Sovereign Debt Crisis. Certain trends simply cannot be sustained beyond 72 years without change. This time that change is coming by dragging the politicians by the hair cave-man style. How intelligent people just cannot see the problem with borrowing perpetually and never having any intention of paying off the debt, it's simply unimaginable. The previous cycle turning in 1872 and that led to what is known as the "long depression" of the 19th century everyone concedes lasted for 26 years. This is why the real estate model is 78 years. It too is closely aligned with political turmoil that always brings structural change.

The German government bonds, or bunds, auction failure has shocked everyone. However, this has been a trend in motion. Six of the last eight bund auctions have required the Bundesbank to pick up some slack. The euro-zone bond market is starting to crack and higher risk is demanding higher yields now even from Germany. Falling short of the targeted bond sale at this time is proving to be far more significant. The market in this stunning shortfall has been followed by rapidly declining confidence in European Union proposals to contain the debt crisis. In other words, the street is starting to question the nonsense coming out of political backrooms.

Expanding European Debt Crisis is now infecting Germany. The uncovered German bund auction stirred in with rumblings over French credit ratings epitomizes the creeping debt contagion that is rising from the toe of Italy to the very face of Europe - Germany. The ECB now faces two very big desperate choices; (1) cutting interest rates below zero following Japan and the USA, or (2) letting its bond purchases go un-sterilized after they attain €200 billion meaning higher interest rates.

At the same time, EU staff unions have re-iterated their threat to go on strike after negotiations with the European Commission failed to produce any agreement on a new package of pay and pension changes. Over 1,000 staff members showed up to protest. Just when everything is falling apart, government workers want more. Guess the solution will be to raid private bank accounts to pay staff and the bankers.



Some have been floating the idea of Greece going to a **Two-Tier Drachma.** This type of Greek solution is not even viable. The collapsing confidence in debt has spread beyond Greece and the ultimate end is simply a full scale euro crisis resulting in a currency devaluation at best, and a squabbling group of politicians who bring down the whole world economy as they nearly did in 1931. The chart on this we published in the '90s focused on Germany and 72 years from 1941 brings us to a slightly earlier crisis in 2013.

Gold Florin

The Two-tier Greek Currency idea that is floating around is based on the old South African rand and financial rand. One currency is used in international financial transactions while the domestic currency can be increased as seen fit. True this would ease the current condition within Greece socially, but the debt would still be in euros and unserviceable. Even if you created a Convertible drachma backed by gold for all commercial transactions replacing the euro while the domestic currency floated, this system will still not solve the problem and the gold would quickly run out unable to expand with the economy, which is what happened to Bretton Woods. The first post-Dark Age city state to attempt such a currency system was the City of Florence. They introduced the Gold Florin in the 13th century, but used this only for international trade. Merchants kept their book in florin whereas domestic businesses were relegated to silver. The monetary system eventually collapse because of differences in the supply of gold and silver. France needed silver and put the price up attracting it from all over Europe. This led to labor riots in Florence. Any time you have two separate items that are independent, there will always be a spread that eventually breaks down any relationship. Remember the famous quote was about the shortage of gold & abundance of silver:

> ***"Having behind us the producing masses of this nation and the world, supported by the commercial interests, the laboring interests and the toilers everywhere, we will answer their demand for a gold standard by saying to them: You shall not press down upon the brow of labor this crown of thorns, you shall not crucify mankind upon a cross of gold."***

Germany will eventually yield. They will be forced to accept inflation (monetization) over austerity. Europe will be destroyed with the latter. The first buys time until the system must be addressed. Switzerland! Where are you when we need you! Be careful. Pegging the Swiss to the Euro can blow up in your face especially now with the German bund auction failure. Speak up Switzerland!