



EZB decision: Is Draghi leading the EU into total ruin?



Dear Ladies and Gentlemen, we welcome you heartily to today's highly topical and extremely explosive media commentary on European financial policy. The 22nd of January, 2015 was a radical day for Europe with far-reaching consequences. After the Swiss central bank, SNB, quite surprisingly stopped the linking of the Swiss franc to the Euro, the European central bank, with its decision, delivered the explanation for this development in Switzerland.

Dear Ladies and Gentlemen, we welcome you heartily to today's highly topical and extremely explosive media commentary on European financial policy. The 22nd of January, 2015 was a radical day for Europe with far-reaching consequences. After the Swiss central bank, SNB, quite surprisingly stopped the linking of the Swiss franc to the Euro, the European central bank, with its decision, delivered the explanation for this development in Switzerland. The countries that use the Euro suffer because some countries spend more than they generate and their national economy is not coming onto a growth track. The remedy that Mario Draghi, chief of the European central bank, EZB, gave against this dilemma is: We facilitate incurring debt to the countries with maladministration and even buy up their national debt. The visual comparison to this is to invite a penniless alcoholic for free beer to cure his alcohol addiction. It's in any case the wrong approach. Yet still the attentive listener may ask himself: What can be wrong when the EZB generously makes available money? Well, the topic is very complex; but we would like to explain to you some of the effects – or to remain in the metaphorical language – some of the stark side effects of the Draghian remedies.

The winner of this national debt-financing

by the EZB are first and foremost the banks and above all those banks that have financed insolvent and economically shattered states. Now, not only the bad valued bonds of these banks are bought by the EZB, but they are actually making good money with this sale through a massive exchange profit of these bonds. Before, these bonds were ticking time bombs in the balance sheets of the banks. Now that the economically shattered countries are able to get into debt all over again with the same banks, a new round is starting in this spiral of debt. By the new lending the profits of the banks are booming at an even higher level. By the help of the purchase of bonds – also labeled as quantitative easing - the EZB puts fresh central bank money into circulation in even greater quantity. The aim is to push down the long-term interest rates in the countries that use the Euro and to stimulate the economy. It seems to be desirable that as a deadly side effect inflation could be induced. 1.140 Billion Euro's - this is an incredible amount of money - that the EZB is now injecting into the financial system.

With that it buys bonds to provide a temporary breathing space for the banks and the countries involved in the crisis. But the problems are only suspended and not acquitted. This shows blatantly obvious how desperately muddled the situation is. Primarily Mario Draghi with his action supports the banks and the ailing states in South Europe. Thus they are able to provide themselves with cheap money. On the other hand, though, this diabolic money printing devaluates and endangers the savings and the retirement provisions of the

European citizens. It also creates once more dangerous stocks- and real estate bubbles, which could burst at any time. Experience has shown that financial difficulties never have been solved by printing more money. Whether in Japan, England or the USA: That kind of intervention of the central bank never has achieved a sustainable solution. Or has it already been forgotten, that the devaluation of money - and therefore too much money of the central banks was the trigger of the last crash? Yet again the central banks operate exactly in the same way as arsonists, pretending once more to be the fire brigade. It's a fire brigade that extinguishes the self-made financial fires in the range of trillions not with its own money, but with the credits for which each European citizen has to stand up for since September 2012. Because in 2012 the EZB gave up its creditor status. Since then the EZB is no longer liable with its very modest equity of only about 8 billion Euros. Instead all the European citizens are liable for the full amount. They will be the big losers, first of all the citizens of the states which have the biggest economic power, for example Germany. For it's via the European Stability Mechanism (ESM) that EZB-chef Draghi's new spiral of dept will be allocated especially to the countries with strong economies.

Dear Ladies and Gentlemen, this critical reflection on the financial actions of the EZB unavoidably raises the question as to why the European citizens leave the solving of their problems to those who are creating even greater problems for them. Have a nice evening!

from k-hc.

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