Greece in the Nutshell

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I have been -in writing- predicting the collapse of the European Union and the Euro almost from the day they were formed. I called (and honest to God this is not a "name calling", it is a strict description of the situation) Brussels a "crime syndicate", the European Union an "inmates running the asylum"; and I was called every name in the book for my "cynical views"..... and every single "view" either has become, or is fast becoming a "reality". I also have been trying to argue with my EU-loving friends (more like: trying to explain it to them) why it cannot work, therefore will not work. There could be a separate writing for each country in the Unholy Alliance how the particular country was destroyed by the EU and the euro, and there is an overarching story about Germany how Germany orchestrated to rob Eastern and Western Europe blind.

Against Margaret Thatcher's advice, they created the European Central Bank in Brussels, with the Euro as their currency (as Prime Minister Thatcher said in a speech on November 22, 1990: *"…A single currency is about the politics of Europe, it is about the federal Europe by the backdoor…"*). Without going into a lengthy discussion about all the problems it had created, let me give you the most evident one. The cardinal function of any country's central bank (we call it Federal Reserve in the US) is to protect the country's currency, and regulate the flow of it (through interest rates) based upon the country's economic performance. The Central Bank makes the economy "cyclical". The currency is devalued (becoming "cheap"), more tourism, more manufacturing, etc. will come as a result, the economy will pick up, and the Central Bank will raise interest rate again. It's this SIMPLE.

It should be obvious for a two year old, that if you have two countries: one with a strong economy, and the other with a weak one, they cannot possibly be under the same central bank, because at the precise moment the strong country needs ***increased*** interest rates, the weak one needs interest rates ***cut.*** Got it? Because Brussels still has not. This example is about two countries. Try 17 countries, the number of countries under the "Euro-Zone". Of course they will tell you that they have guidelines for how a country can get into the "Euro Zone", so that assures equality.

What they will not tell you, is the fact that they know: their theory is as phony as a three dollar bill. Let me give you an easy parallel: let's assume there is a high-jump contest. They put the bar at five feet. A few people will not clear it, some will clear it by two feet, and some will clear it by an inch. Looking at the "bar at five feet" as a curb-height to get into the Euro-Zone, you will find countries that clear the bar at seven feet (Germany) and many (Portugal is one of those) that barely get over it. The core problem that Brussels will hide at all cost, is the huge economic difference between the nations that cleared the bar.

The above described problems were greatly underlined by the years that led to the "Greek Tragedy" in 2010. The ceiling for aspiring countries to adopt the Euro was based upon public debt which must be lower than 60% and GDP/based budget deficit lower than 3%. The first hitch came early: by 2002 (!!), Brussels proposed to send a "warning" to Germany and Portugal that they are about to cross the ceiling limit. EU governments ignored it. By 2003, France and Germany had broken the ceiling rules for three consecutive years. On November 25, 2003 at the finance ministers meeting they suspended the "ceiling rule" for France and Germany. How convenient! Germany and France are not complying with the rules? Let's suspend the rules! In any case, it was clearly portrayed that within the "unified" and "democratic" European Union there is one set of rules for Germany and France and another set for the rest of the folks (where did I last read about this kind of relationship?…….Yes! Between the Soviet Union and its satellite countries). But you cannot say that Brussels was not hard at work to fix it. By March 2005, they significantly rewrote the rules, and loosened the guidelines.

No one should have been surprised that in this legal no-man's-land and chaos (called European Union) Greece was admitted into the EU in 2001. The fact that Greece was allowed in, was qualified as "outright shocking" by several leading European minds such as Karl Otto Pohl, former president of the German Central Bank. One of the former Commissioners of the EU said that *"Back then I do not know if you could even count on an accurate Greek statistic about the number of kilometers from Marathon to Athens".* Lord Patten, a UK Conservative leader noted: *"We all pretended to believe them, and they all pretended to be doing enough for us to believe them".*

So what happened in and with Greece?

Well, Greece (before they got infested by the EU) was a great place. It was cheap, people were great, food was unbelievable, beautiful women, blue sky, great islands, the whole bit. They didn't like to work that much, didn't pay tax, most institution they had were corrupt, but here is what the EU folks will not tell you:

Greece was a happy place

Why? Because they understood most everything about themselves and they didn't care. I always try to use this analogy for eyes-glazed-over EU lover friends of mine: let's assume your son reaches 16, so you sit him down: "Son, I want to teach you how to live within your means, how to manage money, so here is a credit card, with $300 balance on it." It is almost a foregone conclusion your son will blow the $300, but it is a great teaching tool. No one gets hurt. On the other hand however, if you put $300,000 on the card, you just have managed yourself and your son into bankruptcy. ***This is precisely what happened with Greece.***

Before they got infested by the EU, they could not get cheap loan from anyone, their borrowing rate was over 7.25%, so they had no chance to go bankrupt. They did not have lot of money, no one gave them money, it was an equilibrium.

Then came Brussels.

…saying "now we are a big happy family, so from here on out, you guys can borrow money at AAA German Credit rate (check this out, I am not making this up; you cannot make this kind of idiocy up) of 1.25%. Well, the Greeks (who have never known how to manage money) went "you mean to tell me I can borrow at one and a quarter?? Well! Send it in!! Let us all remember: the wise EU bosses gave this to a country at the same time when one of their own negotiators said this: *"Back then I do not know if you could even count on an accurate Greek statistic about the number of kilometers from Marathon to Athens".*

I have been fascinated by all the -useless- efforts how the EU leaders have been trying to patch up the leaky bucket, when all of them know: a new bucket is needed. The "patches" have been labeled IMF, ECB, austerity measures, bailouts, "Northern EU", Eurobond, restructuring, credit rating, etc. The list is long. But a patch yet to be invented, that will be able to cover this size "hole": it took me a while until I dug it up, but I found a the "exchange rate" between the Deutsche Mark (West German currency, before the glorious EU was born) and the Greek Drachma between 1990-2002: In that twelve years, the lowest exchange rate was 90.38 (Jan.1990), the highest 340.72 (Feb. 2002), with the main average of 164.30 for January values in the 13 data point. Greece joined the Euro zone on January, 2001 and had the Drachma for another year. When one looks at the "historical exchange rates" between the DM and the Drachma on February, 2002, it shows 340.72. Look up March 2002 (a month later); it shows "1". ***Let me ask you: does this make any sense to you?***

So now, Greece was managed into a situation that a two year old understood:

- They have no clue how to manage money
- They have crashing debt
- They cannot manage their own destiny because they don't have their own currency, …and the big one….
- ***THE CURRENCY'S INTEREST RATE THEY "HAVE" IS SET TO A RICH COUNTRY'S (GERMANY) ECONOMIC CONDITION;*** this in itself all but guaranteed Greece's downfall

Two very important facts must be stated here:

1. Within five minutes after the economy crash at the end of 2008, the US Federal Reserve took interest rate to 0.00% (!!). Now try to imagine, if an outside force told the US Fed "Your interest rate will be 4.2%, and it will probably go up". STOP HERE for a second and think about it. Because this is precisely what Greece was been put in. They were forced (along with Spain, Italy, Portugal, (…) to watch their economy going down the drain, and had no tools in their hands to intervene, to correct it.
2. You will not read it too many times, and in too many economic papers, but you will find this here and there: the Germans now (they would better have a root canal instead) admit, that *"the Euro's interest rate FROM DAY ONE has been set to Germany's economic interest."* This is much-much bigger than it sounds; this is how Germany robbed the entire Western hemisphere blind. We are talking about trillions of Euros annually; money that Germany would have never seen if they didn't con the EU. I have been stating it for a very long time: if the Euro's interest rate was set to the Greek (Spanish, Italian…) economy conditions (Why not?? They are an EU country too!!), Germany would be in ruins today.

People's mental capacity (more precisely: lack of) cannot be portrayed more accurately than by seeing that everyone who was there to figure out this idiocy is still totally amazed that this does not work.

At the end, I am convinced the "Brussels does not have a problem because of Greece (Italy, Portugal, Spain...) exists, but Greece (Italy, Portugal, Spain...) has a problem because Brussels exists paradigm is true and correct, …and it has becoming so with each passing day.