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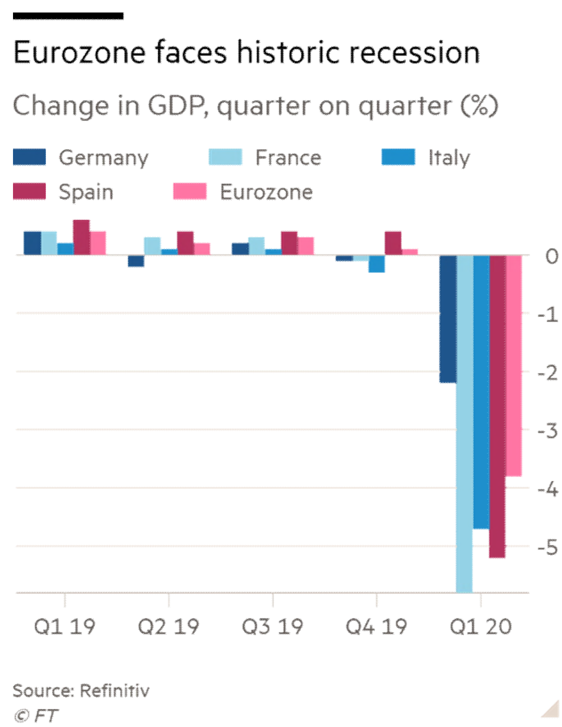
EUROPE UNRAVELING: IS THIS TIME DIFFERENT?

Not since the Eurozone debt crisis of about a decade ago has *the bloc's very existence* been in as much question as it is again now. A Eurozone economy that was already pretty much a zombie before the Wuhan Virus is now entering a deeper downturn. The bloc's banking system—which never did recover much in the past dozen years since the 2008 Financial Crisis—has even more cracks opening up.

Especially for the weaker second-tier members such as Italy and Spain, Q2 economic contractions are almost certain to be in double-digit territory. **And unlike in the U.S.—where there was at least *some* pre-existing economic dynamism before things were upended these last few months—**



Europe can only hope to "improve" to some better level of BLAH at best.

With its economy dead in the water (and worse off now) and its banking system still a mess, the euro—apart from that one fleeting pop in March—remains locked in a down trend. *And the common currency specifically has now been brought anew into some question itself.*

DOES "THE LAW" FINALLY MATTER?

Into what was already more than enough of a mess to begin with, Germany's highest court just threw its biggest-ever monkey wrench into the 20+ year history of the euro.

In a ruling several days ago, Germany's highest court *may have* set the stage for the first-ever outright refusal of that nation to continue bankrolling the whole euro scheme. *Very* simply put (check out https://mises.org/wire/germany-pushes-back-against-ecbs-bailouts for a fair bit more detail offered by the Mises Institute's Viraj Bhide) The Karlsruhe Court—as Germany's high court is commonly known—suggested it could order the Bundesbank to cease certain of its own activities that are a part of the overall monetary policy and quantitative easing of the European Central Bank.

Pretty much from Day One back there in 1999, Germany and a few other of Europe's financially stronger nations smelled a rat in the whole euro scheme. The 21 years that have passed have shown to a great extent that the euro itself indeed was a Trojan horse from the get-go to totally "federalize" Europe under, ultimately, ONE overarching tax, monetary, economic and political umbrella. And its history thus far has demonstrated that weaker nations have been "saved" (i.e.-allowed to live even longer as zombies and with unsustainable economies and more) through the euro scheme whereas, if they had to fend for themselves, they would not have.

None of the financial and banking idiocy has *ever* mattered to the plutocrats running the European Union. Nor has it ever mattered that the Maastricht Treaty that was the foundation of this whole scheme has been violated so many times as to have long since been rendered a Dead Letter. No treaties, national laws, etc. have been allowed to get in the way of the ultimate goal of a SINGLE Europe that calls the shots on *everything*.

Given that on numerous prior occasions Germany's highest court in the end has gone along with this whole move towards a SINGLE Europe—and has allowed every *prior* breaking of the Maastricht Treaty to stand—I am skeptical as to how serious it is *now*. **Indeed, in its ruling (requiring the E.C.B. to justify its recent/present actions in the next three months to its liking) The Karlsruhe Court does NOT refer to whether Maastricht was violated, but "E.U. primary law."**

So it will not shock me if, once again, Europe's plutocrats in Frankfurt and Brussels win yet another fight; and those who again have called "foul" on E.C.B. actions are told to pound salt and get with the program.

INTERESTING TIMING

Yet, I must concede that there is something quite different about both the timing and the environment this legal go-round. I have been talking for quite a while now—again, long before the virus issue *accelerated* things—about **the retreat from globalization and centralization the world over**. And with that mood spreading throughout Europe as well, methinks that the German Constitutional

Court in again wetting its finger, raising it, and seeing which way the wind is blowing before opining on the "law" might now be seeing the political environment more clear to FINALLY put its foot down.

With the financial stress especially in the weaker nations (Italy front and center once more) the push has accelerated to completely "mutualize" Europe's debt. This has largely been done in a de facto way already; now E.C.B. President Christine Lagarde (left in nearby photo) and others want to make it official. The pushback likewise is intensifying; especially in Germany where Chancellor Angela Merkel (right) is a lame duck finally—and mercifully—on her way out.

Monetary lame brain…and political lame duck

As for Lagarde, it's not lost on the biggest Euroskeptics that the former head of the International Monetary Fund has laid waste to numerous countries, causing poverty, misery, social chaos and financial pain (notably in Ecuador last Fall and even again recently, as I have written elsewhere.) And Merkel for the most part has long played the same charade as Karlsruhe; pretend to be outraged and determined to stand against every new encroachment from both Frankfurt (the E.C.B.'s HQ) and Brussels (that of the E.U.) but in the end go along.

Yet Merkel will be gone soon; and replaced with a new chancellor who just might not be as much of an enabler.

The biggest shock to me of late is that "Mr. Europe"—French President Emmanuel Macron—has done a veritable "180" and now is sounding a great deal Trumpian. Once again, I have explained many a time that financial/economic shocks generally lead to MORE in the way of populism, nationalism, etc. and LESS in the way of *international* cooperation. In Macron's case, he laid out in an April 13 address to the French people (an English language transcript of the speech is at https://www.leadersleague.com/en/news/president-macron-s-april-13th-address-to-the-nation) a "France First" call-to-arms that could have been delivered by the American president!

A "France First" message from Macron STUNNED Brussels!

Certainly in a political sense, Macron's speech is a FAR bigger broadside against the E.U. and its authority. In this "stunning vision," said one commentator, ". . .France would regain independence over its agriculture, industry, health, and technology sectors while reinventing itself ideologically. Thus, President Macron embraced the antiglobalist and protectionist agenda of the fast-rising populist parties. What may seem like just a shrewd political maneuver is actually a desperate attempt to save France's inefficient welfare model at any cost."

"ALL OR NOTHING" TIME (AGAIN)

Arguably more so than during past such existential threats, Europe's plutocratic leaders are facing mounting rebellion at the same time it's getting ever more difficult to begin with to keep the whole Eurozone scheme cobbled together. Yet the bloc's plutocratic and unelected leaders continue with their condescending and dismissive attitudes against said rebellion. Lagarde insists the present time is her "Whatever it takes" moment to keep the euro and the continent's broken banks (and bankrupt individual member governments) together; so she shouldn't be bothered about what is "legal."

And for good measure, the E.U. is threatening to sue Germany in the same European Court of Justice whose verdicts—Germany now insinuates—perhaps do not override Germany's own high court after all.

With Macron's thrown-down gauntlet now in this mix, the momentum has tilted in favor of those who have had enough of this scheme and would rather forge their own destiny free from Brussels' and even Frankfurt's hegemony.

Well-known investor and Commentator Felix Zulauf, recently discussing the financial/currency issues of the Eurozone's latest Waterloo Moment more specifically, basically said that **it's all-or-nothing time.** Unless the political and financial energy is there to mutualize all of the continent's government *and banking/private* debt—again, the wealthier (relatively) nations like Germany sign on to forever be responsible for everyone's bills—a break-up will occur as the only other possible outcome.

"Over time, the German public will realize that they have been duped," he said in a recent interview, "and that they are the only nation who wasn't allowed to vote on this (meaning, from the context, the mutualization of all Europe's debts as the final big part of a TOTALLY all-powerful Eurozone-Ed.)"

Zulauf went on, "The citizens of the northern group (France and the Netherlands, chiefly, with Germany-Ed.) were never told that the euro can only persist if the debts of the Eurozone are being socialized. That was always just a matter of time, and the greater the economic downturn, the greater the pressure to make a final decision. At the birth of the euro, I said that this would be the shortest currency union in history if it didn't abide by its self-imposed rules. After three years, the breaking of rules started, and meanwhile all the rules have been massively broken. Most member states wouldn't even qualify anymore today."

Here again, this is the day that those who have been consistently skeptical—Yours truly among them—predicted all along. There remains considerable power in both Brussels and Frankfurt, as past episodes of beating back one crisis and nationalist uprising after another demonstrates. Most recently of note—as I discussed considerably—Italy's threats to leave the Eurozone were quashed after the E.C.B. implicitly (and again, in clear violation of the now-Dead Letter of the Maastricht Treaty) agreed that there was no amount of Italy's massive government and banking debts it would *not* paper over.

This is why I have continued to state that ANYONE who would be bullish on the euro versus the U.S. Dollar needs his or her head examined. It's why—*even if* the euro again survives these new challenges—its custodians will sooner turn it into toilet paper to keep all the cats herded than let it go.

And, naturally, it's why gold has been forging new all-time highs *in euros*.

Again, were it not for French President Macron's shocking change of last week to pretty much his whole Euro*centric program,* I would be much more inclined to ignore Germany's Karlsruhe Court's latest decision as simply its latest *charade*. But larger forces are now at work. Things could get most interesting!

The above is excerpted from the second May issue

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