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Yesterday saw the first allotment of the new unlimited three year ECB loans to euro zone banks in an new attempt to solve the euro zone crisis.

ECB head Mario Draghi provided cash to these banks to buy Portuguese, Italian, Greek, Spanish and Irish debt. The demand at €489 billion (from 523 banks) for these new loans shattered almost all expectations.

While austerity is the name of EU policy for the vast majority of the populations of countries like Ireland, Greece, Portugal, Spain and Italy, 'reward' remains the essence of ECB policy to the financial sector.

The Draghi plan provides limitless loans to banks at rock-bottom rates (1 per cent) for up to three years as an incentive for them to purchase high-yielding sovereign bonds from debt-stricken countries using the cheap money they borrow from the ECB. So if, for example, a bank takes out a loan for €5 billion euros at 1 per cent and buys the same amount of ten-year Italian debt at 7 per cent, it would net 6 per cent difference on the trade. Nice work, if you can get it! It is, in fact, a direct subsidy from the central bank.

If the plan does succeed and sovereign bond yields fall while the banking system is slowly nursed back to health, then Draghi's stock will rise considerably. In fact, he'll be the most powerful man in Europe because he'll be able to dictate economic policy by merely adjusting the amount of sovereign debt he accepts as collateral from the banks.

This is the unspoken goal of the scheme, to put big finance in the driving seat so they can impose hair-shirt austerity measures on debt-stricken nations through the coercive manipulation of bond yields. It's a fool-proof way of trouncing representative government and handing the levers of power to unelected bankers. So much for 'Social Europe'!

But the problem for the ECB scheme is that the banks are increasingly wary of loading up on government bonds. EU banks are already on the hook for €650 billion of liabilities next year alone and don't want to get in even deeper.

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