*2.4*

FinWWI: The first financial world war

Alessandro Politi

*“Inzwischen ist der Euro zur zweitwichtigsten Währung der Weltwirtschaft gewor- den. Diese europäische Währung ist nach innen wie auch im Außenverhältnis bisher stabiler als der amerikanische Dollar – und stabiler als die D-Mark in ihren letzten 10*

*Jahren gewesen ist. Alles Gerede und Geschreibe über eine angebliche “Krise des Euro“ist leichtfertiges Geschwätz von Medien, von Journalisten und von Politikern”.* (Helmut Schmidt, 2011 speech at the SPD Congress)[[1]](#footnote-1).

Some time ago, then-Minister of Economics Giulio Tremonti used two metaphors, the meaning of which was conveniently ignored:

• *“Once the crisis is over, alongside war memorials we will have to put up a statue to the heroic figure of the Italian saver”* (18/9/2009);

• *“The crisis isn’t over yet. It’s like living inside a videogame: a monster comes along, you fight it, you win, you start to relax and then along comes a new monster even stronger than the first”* (6/1/2011).

The terms used are very clear: world war, massacre, war memorials, monster, victory, a new monster. Outside the metaphor, we are living through the first financial world war, and it only seems like a video game because it is fought in super-modern headquarters using computer networks timed to the millisecond, programmed to react mostly automatically, just like the terrifying nuclear Skynet in the Terminator film.

This article is divided into two parts: the first part will summarise the situation and propose solutions, explaining the analytical and geopolitical reasons behind the war, the main players and events, future evolution and political proposals; the second will set out the events in chronological form, in order to avoid including an excessive amount of detail in the previous part.

SOME ESSENTIAL PREMISES

It is not possible to understand the current situation by listening to most media and opinionists, who are either consciously or unconsciously conditioned by the single thought of financial capitalism (finanzcapitalism), or if one does not consider the following three simple points:

1. The market does not exist: on a financial level we are living in an oligopoly;

2. Ratings agencies are another oligopoly;

3. Economic control is concentrated amongst a very few important international bodies, through a network of shares and stake-holdings, whose position and inter-relations have clear geopolitical and economic implications;

4. The system is concentrated to the point of being intrinsically unstable.

 According to the OECD, 10 players control more than 90% of the derivatives market (credit default swaps, collateral debt obligations, exchange rate swaps) and these are divided into two geographical areas (US and Europe):

• J. P. Morgan, Bank of America-Merrill Lynch, Citibank, Goldman Sachs, HSBC

USA;

• Deutsche Bank, UBS, Crédit Suisse, BNP-Paribas, Société Générale (SG)[[2]](#footnote-2).

The same type of shared monopoly exists between ratings agencies (Moody’s, Standard&Poor’s and Fitch), two American and the third Franco-American, which represent 85% of the financial ratings market[[3]](#footnote-3). Moreover, there are also very few large auditing firms: PriceWaterhouseCoopers (USA), Deloitte Touche Tohmatsu (USA), Ernst&Young (UK) and KPMG (Netherlands), with an estimated combined market share of 80%[[4]](#footnote-4).

It is an established empirical fact that a free market, and therefore free democracy, cannot exist where competition is manipulated by oligopolies. Instead, a situation is created where a few key players effectively control the rest, to a greater or lesser degree, by exercising their decision-making power in secrecy.

An Orbis 2007 statistical-mathematical analysis conducted on a database of international companies shows that according to OECD parameters, out of 30 million economic activities, there are 43.060 TNC (Trans-National Companies). A study was conducted to map out for the first time the ownership network of these firms. The result showed a total of 600.508 nodes and 1.006.897 ownership nodes. A network analysis shows the following:

• The members with the greatest number of connections include all the TNCs at the top of the rankings by economic value, which account for 94,2% of total TNC operating income;

• The centre of this butterfly-shaped structure is composed of one key position with strong links whereby all the involved companies have mutual share-holding. As a result, three quarters of company ownerships never extend beyond this specific sub-network.

To summarise, a relatively small group of international TNCs have an overwhelming majority control over the operating revenues of all the other TNCs, and within this elite there is an even smaller group with an iron-clad governance of shareholdings[[5]](#footnote-5).

If we look at the ranking of the top 50 TNCs and compare it with the 10 main actors in the financial oligopoly as identified by the OECD, some power relationships begin to emerge that explain some of the events in the attached chronology. This ranking becomes even clearer if we use a simplified graphic showing the stakeholder links and highlighting the top ten financial firms in an oval.

**Table 2.4.1 Financial Companies**

**RANK COMPANY NAME COUNTRY NACE NETWORK CUMUL.**

 **CODE POSITION CONTROL SCORE**





Source: S. Vitali, J. B. Glattfelder, S. Battiston (2011), The Network of Global Corporate Control. PLoS One 6(10): e25995. doi:10.1371/journal.pone.0025995.

**Figure 2.4.1 Interaction between banks**



Source: S. Vitali, J. B. Glattfelder, S. Battiston (2011), The Network of Global Corporate Control. PLoS ONE 6(10): e25995. doi:10.1371/journal.pone.0025995.

To conclude the basic premises, and start to understand the development of the first campaign of this financial world war, let’s recap some important points:

1. At the top of the control network there is currently a team of financial conglomerates from among the 10 mentioned above, composed of three US companies, two Swiss, one British and one German. If we take into account the top 15, there are two UK companies, two Swiss, one French and one German against nine US firms[[6]](#footnote-6);

2. Merrill Lynch is at the centre of a network of stakeholder circles that control Axa and Goldman Sachs;

3. The network of relations is formed in such a way as to easily elude all existing antitrust regulations;

4. Germany has strengthened links between Deutsche Bank, Commerzbank and Credit Suisse, but Deutsche Bank is partly held by Barclays, the most powerful TNC in the world, which is in turn partly held by Axa [non è la stessa dimensione del font impiegato anche se dice che è 9]. The fact that Deutsche Bank has a holding in Barclays does not reduce the imbalance of power in the relationship;

5. In this world, the political concepts of the French-German axis or the French-British *entente cordiale* are relatively unimportant, while the alliances between the respective stock exchanges carry much more weight. NYSE-Euronext is the most important global stock exchange and the second most important European market; NASDAQ MX is the top European exchange and London has the top regional exchange in Europe, followed by the Deutsche Börse in Frankfurt[[7]](#footnote-7);

6. The only state-owned TNC and is among the top 50 is a Chinese oil conglomerate (by the way, China is also the only country with a national ratings agency, Dagong).

Therefore, the theatre of war does not have well-defined battle lines or easily distinguishable adversaries as in traditional armed wars. Here, the enemy can be difficult to identify or detect and may change face – however, as in all guerrilla and counter-guerrilla wars, we can tell who our most trusted friends are, even without set battle lines.

In this situation we must start with the idea that there are “red” cross-party players, who have practically no interest in supporting national or state rationale and who are led instead by positive or negative profit expectations. We could say that states are the leaders of “friendly” or “blue” players, but if we look at the concrete actions by governments it is difficult to imagine a more confused, inert, conniving and acquiescent opposite party. Their political classes are literally formatted on the finanzcapitalist operating system and are incapable of imagining any ideological divide other than allocating funds to the upper or lower echelons of society.

Although the crisis was triggered by the American speculative real estate bubble (heavily backed by the G.W. Bush administration in order to boost private debt in the US, given that public debt was at alarming and normally unsustainable levels), the structural cause was the credit-debt relationship between the China-US Siamese twins.

Although both participants in the global economy, including membership of the WTO (World Trade Organisation), on an economic level the two countries are nowhere near as integrated as the transatlantic economic area: this means that on both sides, and in particular in China, the state acts as an important filter in managing the issue.

The other side of the Atlantic crisis is the so far total abdication of politics in the economy, a trend dating back to the 1981 deregulation promoted by Reagan and Thatcher, then persistently developed by all European governments, including the apparently least pro-Atlantic ones. This war has been declared by eminently private interests and is being carried out with the more or less active acquiescence of political authorities.

THE PLAYERS AND THE WAR

We have already seen the big multinational players that influence, control and decide the so-called market, but the line-up wouldn’t be complete without those who have repeatedly acted in the front line in developing stock-market and currency crises for more than a decade: the *hedge funds*. Technically, these funds were created as a form of insurance, re-insurance or investment protection, but they soon became highly speculative.

The first important precedent was given in 1992, with the speculative move by financier George Soros at the head of his own hedge fund against the European Monetary System (see Chronology). Even now, despite the “no comments”, news have surfaced about a concerted action by a group of funds including Paulson&Co., Black Rock Inc., Brigade Capital Management LLC, SAC Capital Advisor LP, Soros Fund Management LLC and GreenLight Capital Inc.; their activities have been supported and facilitated by investment banks such as J. P. Morgan Chase, Bank of America Corp. via Merrill Lynch and Barclays.

Soros, on his own behalf, did not lose his touch in these operations and has declared that while the Euro may collapse, gold will always represent a sound investment even if it becomes a bubble[[8]](#footnote-8).

The defensive forces are, on one hand civil societies (middle classes and below), which have been constantly impoverished over the last two decades through systematic channelling of wealth towards the top 1‰ of the population, and on the other hand a series of states, central banks and international organisations whose choices are rarely in favour of the majority of the civil societies that pay their bills. We could quickly summarise the main features of the types of non-social players on the defence as follows:

• The **nation state**, heavily influenced by its economic situation, expressed by a public debt rating issued by a private agency; governed by a political class based on current economic dogma and generally lacking any concrete ideological-political references and sense of statesmanship as a dominant value; in the case of European countries, lacking solidarity;

• The **central bank**, an organization with public finance duties, dominated by private financial interests which are often the legal foundation of the bank. The ECB has the same problems, exacerbated by the fragmentation of national interests and the lack of a single European political interface, replacing the actual intergovernmental bodies;

• The **European Council**, in its various specialised areas (like ECOFIN) is a sounding-board for more or less important national interests, which are in turn influenced by the weight of resident financial interests;

• The **European Community and European Parliament**, cut out by intergovernmental mechanisms from any significant decision making by mid-April 2012, incapable of any effective political action, undermined by lobbies in favour of the abovementioned financial groups;

• The **IMF**, an international financial organisation created following the negotiations at the end of the second world war, which has become the tool for financial stabilisation following the various regional economic crises from the 1970s onwards. Despite numerous requests, it continues to apply financial stabilisation programs that do not correspond to the interests of the societies and national sovereignties involved, but to those of a general global financial stability whose primary and direct beneficiaries are the said oligopolistic groups. The difference is that in the past these measures were applied in the Third World, but are now being applied in Europe.

This financial war is global because it affects relationships and interests involving the euro and the dollar, the two global exchange currencies, and just like the previous world wars it is fought in Europe, because the European Union has used a market logic to create a currency with enough strategic and economic importance to pose a serious competitive threat.

The first aim of the war, and the trigger for the financial assault on the euro, is quite simply the profit of groups of private financial interests which, after the American sub-prime mortgage crisis and the following effective collapse of the “don’t pay debts, refinance them” paradigm, transformed the problem of having to repay excessive debt leverage into an opportunity[[9]](#footnote-9).

The clear and rational aim of these private groups is to extract value by weakening the credibility of the public debt of countries that are more economically and politically vulnerable, in order to guarantee a flow of real money to replace part of the shadow-monetary mass, which has underlying guarantees worth close to nothing[[10]](#footnote-10). It is clear that there is no great “demo-pluto-Jewish-Masonic” conspiracy, also because this tool is entirely obsolete in terms of modern social engineering techniques: there does exist, however, an informal coordination thanks to structural joint interests that are typical of an oligarchy, facilitated by a standardised culture and financial ideology, and expressed using swarming and asymmetrical war techniques.

Swarming allows a group of financial agents to act in a coordinated, collective and reasonably coherent manner in order to conduct attacks and manipulate the global information sphere. Asymmetry is essentially active on three levels: High Frequency Trading (HFT, totally automatic financial exchanges timed to the millisecond); shadow finance (unregulated and opaque financial system); knowledge of highly confidential information and the simultaneous publication of propaganda in the form of economic or social parameters, with the aim of psychologically influencing financial activity in economics and politics.

The result is an apparently virtual shock-and-awe tactic with very real effects on the daily life of the target populations; if these are in a relatively prosperous state, the result will be a considerable pauperisation of the majority of the society; if the state is weak, poor and dependant on only a few non-energy commodities, then chronic malnutrition will worsen to the point of gradually eliminating the weakest segments of the population. Even apparently protected sectors run a serious risk: following financial attacks, Italy ended up losing 2 brigades (nearly 18% of its land forces), a naval force half its original size and cuts to future F-35 fighters (-31%). The result was effective disarmament without a single shot being fired, similar to what also happened in the UK, which is currently without aircraft carriers or naval fighter planes for the next 10 years[[11]](#footnote-11).

We should remember that this is not the first time this has happened. In 1997, according to a similar sequence of events following the financial crisis in South East Asia (the Thai financial bubble, the collapse of the construction sector, the IMF structural program, Japanese investment, the recreation of the bubble and an identical collapse, austerity measures imposed), the IMF attempted to impose the cancellation of the Chakri Naruebet light aircraft carrier program for Thailand’s Royal Navy (TRN). The move was not successful, but the austerity measures imposed on all state spending effectively condemned the ship to an almost non-operational status and deprived it of its vertical take-off fighters[[12]](#footnote-12).

There is one monetary aspect that has so far been largely ignored in the wide-ranging debate on the so-called euro crisis, and that is the relation between the two global currencies with respect to the seignorage of the dollar. Some commentators have emphasised the heterogenesis of goals that has marked the destiny of the euro: a currency without a Minister of Finance and without a strategic dimension, which has, despite itself, an undeniable sovereignty and political value which are destined to create tension on a transatlantic level, clashing with the American desire to maintain global supremacy.

The missing link from a political-economic point of view is seignorage, because if the combination of public and commercial debt, coupled with the downgrading by Dagong and Fitch, start to affect the credibility of this privileged condition, the euro will effectively begin to become a dangerous alternative for the perpetuation of seignorage itself. In principle, a financial operator is not interested in who holds seignorage, but while awaiting an alternative monetary platform it is worth their while to gain time for the dollar, even by weakening the euro to their own profit. It is clear that it is in the interest of any US administration to preserve seignorage, while avoiding any high profile intervention.

From an operational point of view, the geo-economic manoeuvre in this war is not particularly innovative, but has proved to be efficient given that the artichoke-style tactics start by neutralising the weakest members of the opposing side in order to isolate the stronger ones.

The attack on the so-called PIIGS (Portugal, Ireland, Italy, Greece and Spain) was met, as usual, by a division of the other European states and institutions, following the pattern established ever since 1991 (the Yugoslavian crisis). This allowed speculative moves to throw the entire euro area into discussion, including countries with apparently untouchable AAA ratings. France, despite its fleeting victory in Libya, lost its rating together with Austria – two countries forming a pincer action against Germany.

There was perhaps one moment of partial union when Premier Mario Monti launched a European proposal for a growth policy in a letter that gained support from 12 European states (beyond the euro area membership; 20/2/2012 in preparation for the European summit held on the 1st of March). However, despite initial positive reactions from Chancellor Angela Merkel (14/3/2012, who in April had still not signed the letter, together with the then French President Nicolas Sarkozy), the reader will remember the same type of division occurring in 2003 when a similar letter regarding the attack on Iraq was backed by 10 new EU countries, isolating France and Germany and allowing then Vice President Richard “Dick” Cheney to attempt to break the Union into Old and New Europe.

As shown in the table attached, the problem of debt is not clear-cut in economic terms, but offers a wide range of arbitrary choices on different geopolitical and geo-economic levels. This is even more apparent if we consider that the inconsistencies in the Greek public accounts were not at all unknown at the time when Greece was accepted into the euro area.

In this context, it is natural to wonder about the role of the ratings agencies, and the attached Chronology shows how the rating is the modern version of papal excommunication in the Middle Ages: the weaker the target on a political level, the more need it has for external legitimisation. Historically, whoever holds this power is never extraneous to the events that may influence or decide the issue, especially if they operate in a condition of shared monopoly and close relations with other oligopolistic figures. The current objection is that ratings agencies strongly defend their reputation by improving evaluation processes, and that in general their reactions have come after, rather than before, the events of the crisis[[13]](#footnote-13).

**Table 2.4.2 OECD government, corporate and family debt against GDP, 2010.**

**% GDP TOTAL GOVERNMENT CORPORATE FAMILIES**



Source: BIS working paper – The real effects of debt (September 2011), Bank for International Settlements.

**Figure 2.4.2**

****

Source: OECD, S&P, DataStream.

The map shows how a slide in the quality of Greek debt really did come after the worsening of their position on the market, but it does not show the wider context of a situation influenced by other ratings agencies which as soon as governments arrive at a solution, decide to accompany the “markets” in requiring ever more exacting conditions from Greece or other countries, well aware of the repercussions on the PIIGs as a whole and on the euro. Euro area governments, on the other hand, in a demonstration of extraordinary blindness, continue to deceive themselves (or others) that their individual merits will be enough to save themselves, rather than requiring a systemic and coordinated action, right up until April 2012. Even Germany is behind on its austerity targets: only 42% of the cuts have been applied.

The description of this financial blitz wouldn’t be complete without at least a rapid glance at other global players that are far more important than the countries in the Atlantic area, and one Atlantic country with a slightly lower profile. The BRICS (Brazil, Russia, India, China and South Africa) can generally afford to wait out the crisis and save selected portions of debt in exchange for prized public assets rather than bonds (e.g. Chinese 35 year rent of the Piraeus and turning the Greek cargo market into a captive market for Chinese shipyards; Russia, on the other hand, will need to act quickly to change its market in response to falling European energy consumption).

On the other hand, all were affected by the weakening of an alternative currency to the dollar and the currency war waged by the American QEs (quantitative easing) scheme and the yuan's very cautious revaluation on other currencies, leading Brazil to harden its positions vis-à-vis these two countries. Nonetheless, the previous map showing the top 50 TNCs shows a possible fault line between the BRICS, still very involved in the real economy and out of the finanzcapitalistic loop, and the group of heavily-indebted countries involved in casino-style capitalism. In other words, a conflict is brewing between the real economy and the financial economy, between the infinite striving for value by the financial economy and the struggle for power by both types of capitals; between geometrical (real capital) and arithmetical (financial capital) growth. Imaginary capital is used to purchase real, existing assets and wealth; it is recycled by mobilising power and exploiting crises, through the creation and exploitation of chaos, to achieve a rhythm of accumulation that normally would not be feasible or sustainable[[14]](#footnote-14).

The UK, however, acts as a silent player, as outside the euro area and with its own currency, although it is certainly not out of the game. In its current condition, the UK is living through the Third British Empire of its history, according to journalist Dan Hind[[15]](#footnote-15).

The first empire ended in 1781 with the British defeat in the American revolution; the second with the independence of India in 1947; the third is based on the offshore network of financial infrastructures, supported by considerable resources of diplomacy, intelligence and telecommunications. One crucial element is missing, which is even more important than physical tax-free money sorting centres (which have also been put under pressure by the blacklists published by the OECD and EU), consisting in the role of British conglomerates in shadow finance and HFT.

On this basis, Barclays’ role in the war becomes clear along with the strenuous opposition in London to the idea of taxing financial earnings, as shown in the image below[[16]](#footnote-16). What is less sure is that the weakening of the euro area could represent an opportunity for the London stock exchange to extend its role and information asymmetry in comparison to competitors Euronext and OMX.

**Table 2.4.3 Sectors and the City**

**Global share of selected financial markets (2010-11)**

****

Source: The City, UK

 FUTURE PROSPECTIVES

There are not many possible scenarios, and most can be summarised as follows[[17]](#footnote-17):

**Figure 2.4.3 The future of the euro**



The missing scenarios are the following:

1. **Euro-Bosnia**. Formed of a group of five drained countries reduced to depressed markets, five or six that have kept an AAA rating and may have hopes of growth and another six countries that will orbit around the AAA states, Europe will just be a large-scale version of Bosnia-Herzegovina;

2. **A** **divided Europe**. The euro area could split, leaving a continent open to plunder, with BRICS being the most likely candidates to snap up the best parts. Everything would be done quietly and in the background, but states would lose their sovereignty and end up with self-government along the lines of Hong Kong. The last isolated enclave to fall will be the remaining AAA states (Finland, Benelux and Germany);

3. **All damage must be paid for**. Europe saves itself by setting up a Euro Treasury with the power to impose taxes and open debts. This will be in addition to the necessary measures to manage bank failures in an orderly, participated manner. The most problematic banks will be closed and nationalised, and the financial system will be forced, directly or indirectly, to pay most of the costs;

4. **Blind corners and sharp angles**. A scenario where the combination of cause and effect, between the general global economic slowdown, a new assault on European currency and sovereign debt, a financial and economic crack of cracks and “the latest war against Iran” will lead to the definitive breakdown of the balances in the Northern hemisphere, in an unexpected manner.

At the end of April 2012, the situation indicated a state of pause or armed ceasefire in the fighting in this first war, while between May and July attacks began again on the individual countries most exposed. The financial oligopolies were hoping to give a last good shove to the entire euro area in the “end-of-year offensive”, pre-announced by the ratings agencies (15/12/2011 and 13-16/1/2012), but a bout of politics, when the news of the creation of a European ratings agency[[18]](#footnote-18) were leaked, made it clear that the time had not yet come.

Whichever scenario and whatever policy is chosen must in any case be based on a timescale running up to 2018 as a possible date for the end of the crisis, understood as the final disposal in one way or another of toxic assets held by the various financial groups. This does not at all mean applying austerity policies up until that date, as too many economists, commentators, top managers and politicians involved with finanzcapitalism would like us to believe.

THE RETURN OF POLITICS

When the war had already broken out, one fortunate Italian book managed to foresee, perhaps beyond its own intentions, the trend of the “return of the state as master”[[19]](#footnote-19). Observing the different BRICS economies, the book observes that in the real economy there is a state with strong and concrete national interests, while in the area of the financial economy the state or *government* is seen as an impediment to the power of financial groups, something to be reduced to mere *governance*.

It is worthwhile following up the various proposals in George Soros’ analysis, in order to remedy what he defines as a crisis of bad investments, more than one of the usual debt-growth-market-state causes blamed, starting with the simple question of “who’s paying?” The following points could be followed either separately or combined:

a) Peripheral governments, by cutting spending and privatising the public sector;

b) Governments in the hard core (Austria, Finland, Germany, Netherlands and maybe France);

c) Taxpayers in peripheral states, by raising the tax burden;

d) Taxpayers in central states, either through fiscal union, through Eurobonds or through the EFSF (European Financial Stability Facility);

e) Users of the single currency through inflation, caused by the monetisation of debt by the ECB;

f) Lastly, the financial system, through a series of defaults, which would however result in a banking crisis[[20]](#footnote-20).

The financier’s lucid analysis is intrinsically weak on one essential point: “what are we paying for?” Obviously Soros, like the plethora of finanzcapitalism supporters, is interested in the stability and viability of the system itself, for which TINA (There Is No Alternative). However, this is beginning to be of very little interest to 999‰ of the global population: after thirty years of finanzcapitalism, given the short and long term results, it is time to get out of an intrinsically unstable, self-destructive, iniquitous system incapable of creating value and which tends to corrupt democracy.

The fundamental problem is who controls the economic sub-system: a financial oligarchy inevitably subject to control by its own companies. This is a strategic alternative not only for the future of the euro or the Med-lantic economies, but also for the future of global development, since the indefinite extraction of value leads both to ~~a~~ generalised poverty and the dissipation of non-renewable food, energy and ecological resources.

The technical tools for re-launching ~~the~~ real economy on a sustainable basis and therefore for profoundly transforming global finance are conceptually simple and can ~~be begun to~~ be applied very rapidly:

• A debt audit, as the necessary complement to a spending review and because it is not clear which debts are transparent and traceable, to be followed by proportional haircuts;

• The failure of banks beyond recapitalisation in a cost efficient manner, in order to bring back competitively to a sector which is far too reliant on public funding;

• A Financial Crisis Group composed of the countries under financial attack, to be structured within the Eurogroup in order to form the natural negotiating arm for debt, supported by a union of debtors and the political solidarity of other partners;

• A public European Common Goods Agency, ~~public fund~~ and capable of acting as trustee to manage the strategic assets of countries in difficulty as collateral for debt, supported by a popular, small size and medium term shareholding scheme, capable of using the assets to produce industrial and non-financial returns until they can be brought back under national control. The main purpose is to avoid a destructive, speculative, uncontrolled and strategically dangerous privatisation. The agency could subsequently be used to guide selective renationalisation or re-Europeanization of strategic firms and services, necessary to meet the primary needs of citizens in the European Union;

• A non-profit European ratings agency, whose composition and recruitment would be managed in order to avoid conflicts of interest with financial oligopolies;

• A European de-leveraging policy in order to establish practices and rules to make high leverage bonds commercially unattractive in the Euro area;

• A G20 dialogue to bring shadow finance into the open, accompanied by adequate fiscal policy on financial gains in the euro area.

Regarding the obvious opposition between Anglo-American and continental European interests, we must remember that the problem is global – in particular relating to all mature and indebted democracies – and that failure to resolve these issues will condemn the whole of the Western world to a more or less rapid decline, more or less punctuated with disastrous financial and traditional wars.

Democratic politics has been kidnapped and intoxicated by the insidious totalitarianism of finanzcapitalism. If democracy is not capable of winning back its independence and freedom, we may only have the cold comfort of living in a science fiction world where financial *zaibatsu* control the planet and Blade Runner will seem like a children’s fairy-tale.

A SHORT AND ANNOTATED CHRONOLOGY

*1991*

*1992*

*1996*

*1998*

*2001*

*2003*

**10 December**

The Maastricht Treaty; irrevocable monetary union without a centralised Treasury or withdrawal mechanism *[an anomalous treaty creating, right from the beginning, a currency without any underlying political logic. Just as financial interests, in particular the US, required].*

**16 September**

The ERM (Exchange Rate Mechanism) is toppled by George Soros with a series of speculative attacks. The GBP is forced to leave, the Italian ITL suspends itself before devaluing, the Irish IEP, the Portuguese PTE and the Spanish ESP are devalued *[the first financial skirmish, exactly 20 years ago, and the PIGS are exactly the same (except Greece, which wasn’t in the EU at the time), just as the UK was another victim of the attack. Objectively, the manoeuvre prevented the UK from joining the euro, while in 2003 the war in Iraq scotched London’s second attempt]*.

**13 December**

In the absence of a European Finance Minister, the Stability Pact is approved with financial penalties for any country going over the deficit limits [*even then, Germany was concerned about other countries’ debt. The mechanism was purely arithmetical, with the only political value being to control aggregated spending].*

**14 March**

Greece enters the ERM [*it is entirely reasonable to assume that everyone was aware that the Greek accounts were falsified. The leaders bet on growth and refinancing in general and on the opening of the Greek market in particular. Lucas Papademos: already served once as governor of the Bank of Greece (26.10.1994-31.05.2002) and was responsible for financial supervision at the central bank at the time of the Koskotas scandal. At the end of March 2012, he is leading a technical government in Athens]*. In 1999, Greece was among the founders of the euro.

**1 January**

Greece enters the euro. The spread between German ten year bonds and the Greek, Italian and Spanish equivalent is of less than 0.51%.

**24-25 November**

Germany and France ignore the Stability Pact rules after going over the 3% deficit limit. Protests are raised by Austria, Finland, the Netherlands and Spain.

*2005*

*2006*

*2008*

*2009*

**20 March**

The EUROFIN bows to German requests to relax deficit rules *[the beginning of the open waiving of common rules].*

**Late 2005-May 2006**

The Osservatorio Scenari Strategici e di Sicurezza di Nomisma (OSSS, Outpost for Strategic and Security Scenarios) raises the alarm over an unprecedented global economic tsunami, originating in the Pacific, US and China.

**August** US economist from Iran Nouriel Roubini foresees the end of the property market bubble centred on subprime loans, and suggests there could be a global recession in 2007.

Roubini forecasts that Italy and possibly other Euro area countries (Greece, Portugal and Spain) could leave unless profound reforms are introduced *[a series of warnings from outsiders are ignored: the joint interests involved are too strong to accept negative forecasts]*.

**15 September**

The collapse of Lehman Brothers.

**30 September**

Ireland guarantees all bank deposits and the majority of debts. Irish bond yields are around 4,590%.

**December**

EU heads of state approve a stimulus plan worth $200 billion.

**14 January**

**S&P cuts Greece from A to A-; the following day, ten year bonds rise to 5,43%.**

**15 January**

Ireland nationalises Anglo Irish Bank.

**19 January**

**S&P cuts Spain’s rating from AAA to AA+.**

**17 February**

Greece estimates deficit at 3,7% of GDP for 2009. The EU opens proceedings for excessive deficit against Greece, France, Ireland and Spain.

**April**

The EU asks France, Ireland, Greece and Spain to cut deficit.

**21 September** At the G20 summit, the European Shadow Financial Regulatory Committee (an informal, consultative body, [http://www.esfrc.eu/)](http://www.esfrc.eu/%29) recommends boosting capital buffers at banks, out of concern that as the crisis diminishes the urgency of reform may be lost.

**16 October**

The Greek government announces that statistics were false.

**20 October**

Greek Finance Minister Giorgos Papaconstantinou announces a deficit up to 12,5% of GDP: yield on Greek ten year bonds is at 4,58%.

*2010*

**October**

**Fitch cuts Greece to BBB+. Then raises it again.**

**November** After the sovereign debt crisis in Dubai, concerns are raised over the debt in some EU countries.

**08 December**

**Fitch cuts Greece from A- to BBB+.** The day before, S&P warned of an upcoming downgrade. Germany, which had earlier hinted at the possibility of providing aid to countries in difficulty, remains silent.

**16 December**

**S&P cuts Greece from A- to BBB+.** The euro falls.

**December**

Greece admits reaching €300 billion in debt, equal to 113% of GDP

 (the official limit for the euro area is 60%).

**14 January**

Greece adopts a three year plan to bring deficit back in line by the end of 2012. The ECB states that Greece will not receive any special treatment *[the first time that President Jean-Claude Trichet announces that the ECB will not act as the creditor of last resort]*. An EU report condemns the series of irregularities found in Greek accounting procedures. Deficit is revised to 12,7% of GDP. The ECB denies that Greece will leave the euro.

**21 January**

Greece denies that a bailout will be necessary. Ten year bonds rise to 6,248%.

**02 February**

The Greek austerity plan is announced.

**11 February**

In an emergency summit, the EU promises action in Greece and requests additional austerity measures. For the first time the EU offers a general guarantee to all countries in the euro and to protect the stability in the euro area. *[The EU promises aid but only in a generic form, while the Greek case is now self-evident and ratings agencies have acted in advance or at least with greater speed]*.

**23 February**

**Fitch cuts the rating of Greece’s four largest banks to BBB with a negative outlook.**

**4 March**

Germany refuses to help Greece *[the solidarity of the Lisbon Treaty fails. The European fracture opens ever more violently, starting with the differences between the UK, France, Germany and Italy over the Yugoslavian crisis]*. Trichet from the ECB refuses greater involvement by the IMF in Greece. *[In theory Trichet refuses because Europe must take care of its own problems, but in practice because for the moment, the largest shareholder says “no”]*.

**7 March**

Summit held between Papandreou-Sarkozy. The French President says that some European countries are preparing support, but he does not believe Greece will need it *[Bad Cop-Good Cop]*.

**8 March**

Portugal announces budget cuts, more public asset sales and blocks salaries for public sector employees.

**9 March**

Meeting between Papandreou-Obama, the Greek Premier discusses a European proposal to hit financial speculation with President Obama.

According to the Premier, the American response was very positive, but Greece did not ask for help from the US *[the US has no intention of tackling speculation, as the Greek non-request demonstrates]*.

**16 March**

Euro area finance ministers prepare emergency loans for Greece. Papaconstantinou says that the EU needs a loaded gun to defend itself against speculation. **S&P confirms Greece’s BBB+ rating and removes the negative credit watch thanks to government spending cuts**.

**18 March**

Greek Premier Georgos Papandreou asks for specific EU aid, indicating that he will apply to the IMF if none is forthcoming, although preferring European support.

**24 March**

**Fitch cuts Portugal’s rating to AA- (down one notch) and warns of future downgrades unless the government changes fiscal policy**.

**25 March**

Trichet declares that the ECB will accept BBB- bonds as security, adding that there will be limits to loans against low rated collateral in comparison with the German Bund. After supporting a French-German plan for providing a loan to Greece at market value, excluding the IMF, Trichet accepts the fund’s involvement *[given the impossibility of denying a role to the last instance creditor in principle, Trichet seriously limits its role in both declarations and in fact, not without having first tried the bilateral French-German loans at rates that prove unsustainable for Greek finances. Just like in 1940-1945 and 1946-1949, Greece is the scene of Anglo-American intervention after an initial German assault. Regarding the independence of the ECB, the same considerations apply as for all international organisations].*

Euro area heads of state and the IMF agree to help Greece, with a €22 billion dollar safety net to be used only in the case of extreme necessity, but no current loans *[first appearance of the IMF, known for the terrible price of all its aid plans in the last 30 years. Once again, intervention is insufficient and too late].*

**30 March**

Ireland announces that it needs to source another €31.8 billion in capital.

**March**

The euro continues to lose value against the dollar and the pound. The aid package covers three years and is worth €45 billion (€8.4 billion from Germany, equal to 18.8%). **Greece officially asks for help, after long hesitation, but Moody’s cuts the rating to junk level(BA1).**

**6 April**

Greek bond yields rise to 7.1% in response to market concern, in particular regarding the unsustainability of Greek deficit without IMF aid *[In other words, financial oligopolies insist that the IMF is involved – no wonder, given its heavily Anglo-American composition]*.

**9 April**

**Fitch cuts Greek rating by two notches from BBB+ to BBB- with a negative outlook.**

**12 April**

The Eurogroup decides to provide €30 billion over several years, together with the IMF which will provide an additional €15 billion in funding *[it is incredible how these rear-guard actions hold firm against all evidence. It is a continual “kleckern” instead of a solid “klotzen” (in the words of Heinz Guderian, a great General of armoured warfare, who exclaimed “Don’t fiddle, smash!”).*

*The constant giving way is just as clear in comparison to “market” communications]*. **Greece starts discussions on the conditions for receiving EU, ECB and IMF aid.**

**22 April**

**Moody’s cuts Greece from A2 to A3 and announces the possibility of further downgrades.**

**23 April**

Papandreou opens to full involvement by the IMF.

**27 April**

**S&P downgrades Greece to junk level (BB+), claiming that government choices are getting narrower due to low growth prospects. Portugal is downgraded to A-.**

**28 April**

**S&P downgrades Spain for the second time since January 2009, down to AA with negative outlook.**

**2 May**

The EU, ECB and IMF agree a bailout package for Greece worth €110 billion (80 from Europe, of which 22.4 billion from Germany – 28% of the total European contribution, 20.3% of the whole) in exchange for €30 of budget cuts over three years. German banks state their willingness to buy Greek bonds. The EU only provides an initial €30 billion up front.

**3 May**

The ECB guarantees that it will accept any type of Greek collateral and with any rating *[the ECB objectively encouraged speculation, by taking 120 days, between French and German opposition and Greek reticence, to arrive at the inevitable solution]*.

**5 May**

**The euro falls to a minimum low against the dollar, as Moody’s puts Portugal under observation for a further downgrade with consequences for sovereign debt fears across the euro area.**

**6 May**

The Greek parliament approves the spending cuts, and Greek bonds rise to 12% the following day *[written market reaction, pronounced speculation]*.

**9-10 May**

ECOFIN leaders agree on a €750 billion funding mechanism and the ECB states that it will buy up public and private debt. The first result is the EFSF (European Financial Stability Facility) with an initial capital of €440 billion and a temporary function, €60 billion EU emergency funds €250 billion from the IMF *[the IMF contributes 33% to the operation, an influential minority]*. On 10/5 Bundesbank president Axel Weber openly criticises bond purchases by the ECB. *[It is surprising how German banks first say yes, while the independent central bank says no; a sabotage of the initial multilateral agreements, which has become a classic European manoeuvre since 1991]*.

**18 May**

The first tranche of EU funding, worth €14.5 billion, arrives for Greece, preceded by €5.5 billion from the IMF a few days earlier.

**28 May**

**Fitch downgrades Spain from AAA to AA+ on the basis that debt reduction is slowing economic growth.**

**May**

**S&P downgrades Greece to BB- (down by two notches).**

**14 June**

**Moody’s downgrades Greece to junk status (BA1), due to uncertainty over timing and impact of measures to support economic growth *[-3 notches]*.**

**17 June**

EU heads of state decide to publish banking stress tests, after Spain threatens to publish their own independently, regardless of objections from Germany and other countries *[The European banking system has very few virtuous members. Spain’s call to arms does not have a lasting effect, and in the end, everyone comes out on top]*.

**23 June**

Greek ten year bonds close +10%.

**14 July**

**Moody’s downgrades Portuguese bonds from AA2 to A1 with a stable outlook, due to a weak fiscal position and low growth forecasts.**

**23 July**

Bank stress tests are published: only 7 (German Hypo Real Estate – nationalised in 2009, 5 Spanish and one state Greek bank) out of 91 banks analysed fail the test. However, the methods and thresholds, although more rigorous that similar US tests, have a limited scope, especially if they measure bonds exchanged and not those due to expire in the bank’s portfolio. “*As Stephen Pope of Cantor Fitzgerald put it: I’ve seen nothing stressful about this test. It’s like sending the banks away for a weekend of R&R”*. *[In other words, an elaborate PR exercise]*.

**July**

**Moody’s downgrades Ireland to junk status(BA1).**

**24 August**

**S&P downgrades Ireland’s rating from AAA to AA- (-3 notches) due to concern over the cost of supporting the banking system.**

**August**

Greece receives the second tranche of international aid.

**7 September**

The ECOFIN increases supervision of Greek debt.

**30 September**

Ireland prepares to take over the majority share of Irish Banks Plc. and refinance Anglo Irish Bank Corp. **Moody’s downgrades Spain from AAA to AA1.**

**18 October**

Merkel-Sarkozy summit held in Deauville: private investors must contribute to future EU bailouts, and from 2013 onwards the bailout mechanism will become permanent. *[The political exchange is between sharing the costs with private investors, strongly backed by Ms Merkel, and institutionalising aid, plus the tighter rules specified by Germany]*.

**October**

China offers aid to Greece *[in exchange for a 35 year lease of the Pireo and a captive market for Chinese shipyards]*.

**4 November**

Trichet states that if bond holders must accept losses, refinancing costs will increase *[economic orthodoxy which, however, in a market dominated by injection of public money to financial conglomerates, which do not want to put the funds lent at advantageous rates back into circulation, results in passing on the costs to private investors, i.e. a further discount*

*for the financial interests which caused the problem. The ECB is not acting as a European central bank with general and well-defined interests, except for the war against inflation, nor is it acting uninterestedly]*.

**12 November**

A note of clarification issued by the Finance Ministers of France, Italy, Germany, UK and Spain declares that until mid-2013, bonds will not be affected by decisions on European bailouts *[This not was not issued by the ECOFIN, but by four countries, in the context of the G20, demonstrating a completely different European and global scenario]*.

**23 November**

After two weeks of resistance, Ireland applies for a bailout.

**23 November**

**The EU downgrades Ireland by two notches, from A to AA-.**

**28 November**

The EU approves a bailout for Ireland worth €85 billion (€17.7 million from the EFSF) and drafts a bailout procedure involving private investors to cover a part of the costs, although less than in previous drafts. Bond market turbulence around the euro area worsens.

**23 December**

**Fitch downgrades Portugal to A+ (-1 notch**).

*2011*

**14 January**

**Fitch follows S&P and Moody’s to downgrade Greece to junk status (BB+).**

**04 February**

France and Germany propose a pact for competitivity, with specific reforms to improve growth in the euro area: partner states give it an icy reception.

**11 February**

Axel Weber resigns as President of the Bundesbank after opposing the bailouts.

**02 March**

**S&P keeps Greece and Portugal under observation for possible downgrades.**

**07 March**

**Moody’s downgrades Greece from BA1 to B1 (-3 notches).**

**11 March**

The EU summit increases the powers of the EFSF to purchase debt in primary markets and to access the entire €440 billion in funding. From 2013, a permanent fund of €500 billion will be set up.

**24 March**

**Fitch downgrades Portugal from A+ to A- (-2 notches).**

**24-25 March**

EU agreement signed on the Euro Plus Pact, a watered-down version of the competitivity pact. An agreement is reached for the creation of the ESM (European Stability Mechanism), with an initial capital of less than that originally proposed by Germany.

**29 March**

**S&P downgrades Portugal from BBB to BBB- (-1 notch) and Greece from BB+ to BB- (-2 notches).**

**1 April**

**Fitch downgrades Portugal from A- to BBB- (-3 notches).**

**5 April**

**Moody’s downgrades Portugal from A3 to BAA1 (-3 notches).**

**6 April**

After considerable hesitation, Portugal accepts the EU bailout package.

**8 April**

The European Commissioner for Economic and Financial Affairs announces that the EU intends to prepare a bailout package for Portugal by mid-May, on the condition that the government in Lisbon approves austerity measures before the elections scheduled for 5 June. [*In other words, the European Commission does not want the Portuguese people to choose their own austerity measures]*.

**15 April**

Greece announces a €78 billion austerity package, of which €50 will come from the sale of state assets. **Moody’s downgrades Ireland from BAA3 to BAA1 (-2 notches).**

**3 May**

Portuguese Finance Minister Fernando Texeira states that austerity will result in a two-year recession for Portugal.

**6 May**

An emergency summit is held between the Finance Ministers of France, Germany, Italy, Spain and Luxembourg. ECOFIN President Jean Claude Juncker comments that the meeting discussed additional aid for Greece; the press, in particular Spiegel, believes that Athens is about to leave the euro. Trichet walks out of the meeting; refusing to discuss any cuts to Greek debt (*haircut*) *[Trichet holds this position against rebalancing public accounts at the expense of private investors right to the end. Spiegel’s action is a PsyOps, more refined and important than the famous cover pages dedicated to Italy, but still in the same sniper-style]*.

**8 May**

Chancellor of the Exchequer George Osborne refuses any possibility of involvement in the Greek bailout, adding that the country’s bankruptcy is not inevitable *[In other words: we think that bankruptcy is highly probable and we are certainly not going to save the euro, because we have our austerity and the GBO to protect].*

**9 May**

**S&P downgrades Greece from BB- to B- (-2 notches) and threatens further cuts.**

**11 May**

Merkel declares her support for Mario Draghi’s candidature to succeed Trichet at the ECB.

**13 May**

The EU publishes forecasts including Irish, Greek and Portuguese debt over their respective GDP.

**16 May**

The ECOFIN approves the bailout package for Portugal (€78 billion). Jürgen Stark, Member of the Executive Board of the ECB, comments that restructuring Greek debt would be catastrophic. The day after ECOFIN ministers propose that creditors extend Greek repayment terms.

**18 May**

A scandal overwhelms the Managing Director of the IMF, Dominique Strauss- Kahn.

**20 May**

President of the Bundesbank and member of the Governing Council of the ECB Jens Weidman comments that the central bank will not accept collateral

in the form of Greek bonds if expiries are extended *[once again the ECB protects private and not public interests, via the Bundesbank]*.

**27 May**

Greek politicians fail to agree on austerity measures, also because the right-wing is afraid of destroying the country’s social and economic structure.

**2 June**

The Greek government approves additional austerity measures and the partial privatisation of state assets (including the electricity company PPC, Hellenic Petroleum refinery and the Athens water utility).

**13 June**

**S&P cuts Greece to CCC, the lowest level of all the countries considered.**

**14 June**

**Moody’s cuts Greek state bonds to junk status (-4 notches), while admitting that the chances of default are low.**

**15-22 June**

Greek government reshuffle and vote of confidence: Papaconstantinou is replaced by Defence Minister Evangelos Venizelos. The Sarkozy-Merkel duo insists that private sector involvement in support of Greece must be voluntary *[in a clear step back from the agreements reached in Deauville (18/10/2010) which stated that contributions would be obligatory]*.

**24 June**

Draghi succeeds Trichet at the head of the ECB.

**28 June**

Christine Lagarde, ex-Finance Minister in France, is chosen to lead the IMF.

**30 June**

The Greek parliament approves austerity measures; the Berlusconi government approves government spending cuts work €47 million to bring deficit under control in 2014 and protect the country from the effects of the crisis *[Three years completely lost in inertia in order to prevent an imminent future attack]*.

**June**

Euro area ministers push Greece to accept new austerity measures before receiving the last tranche of funding in order to avoid default.

**5 July**

**Moody’s downgrades Portugal to junk status (BA1 down from BAA3).**

**12 July**

**Moody’s downgrades Ireland to junk status (BA1 down from BAA3).**

**21 July**

The EU summit passes a second bailout fund for Greece, and agrees to extend EFSF powers. Banks accept a 21% loss on Greek bonds [*the situation is so desperate that banks know that much of their Greek investments will never be recovered, also because they are aware of holding a lot of credits with very little security]*. **Moody’s downgrades Greece from B1 to CAA1; Fitch speaks of partial default; S&P lowers the Greek rating by two notches to CC**.

**29 July**

Spanish Premier Zapatero schedules elections for November, aware that polls are against him. **Moody’s puts Spain back under observation for another downgrade.**

**July** Rumours suggest not only a Greek exit from the euro area, but also contagion from peripheral countries to the heart of the single currency [*In reality, this signals that operations against the euro are expanding,*

*as we will see in Italy*].

**4 August**

The ECB starts purchasing Portuguese and Irish bonds again.

**5 August**

The ECB sends a confidential letter to Italy to ask for more austerity measures and for deficit to be reduced by 2013 rather than 2014. Berlusconi announces an amendment to the budget with additional austerity measures; Italian bond yields rise higher than Spanish yields for the first time since May 2010.

**7 August**

After an emergency conference call, the ECB announces that it will purchase Italian and Spanish bonds on secondary markets: yields on ten year bonds for both countries fall by around 80 points.

**12 August**

The Italian government approves austerity measures to support its bonds, Belgium, France, Italy and Spain impose short selling bans, after banking shares fall lower than at the time of the Lehman Brothers collapse.

**16 August**

Finland and Greece sign an agreement on the type of collateral used as security for bailout funds. Austria, Estonia, Netherlands, Slovenia, Slovakia and others opposed the agreement and the agreement had to be renegotiated. The agreement originated from the request by AAA countries for additional guarantees on the funds lent to Greece. The Finnish position was in the background of the debate on eurobonds, opposed by France and Germany, or any form of joint liability, on the basis that this would form the basis for a Union with transfer of funds between states *[not only did the solidarity specified in the Lisbon Treaty fail, but conditions begin to be set on loans between member states. It is clear that a political union is not possible unless it includes the possibility for transfer of resources. Collective short-sightedness is creating small and powerless states rather than big players]*.

**9 September**

Jürgen Stark resigns from the ECB after opposing bond purchases by the central bank.

**15 September**

The ECB offers banks unlimited three month financing in dollars, while the debt crisis worsens and raises concern that some institutions are unable to obtain US currency.

**16 September**

Spain brings back the wealth tax abolished in 2008.

**17 September**

Tim Geithner, US Secretary of the Treasury, calls for European decision makers to deal with the crisis and avoid catastrophic risks [*the American politician appears to ignore the fact that the crisis was caused in the US, both in origin and in the private speculation]*.

**19 September**

**For the first time in five years, S&P downgrades Italy, from A+ to A**. The IMF cuts growth forecasts and warns that Europe is facing a new phase of danger.

**23 September**

IMF Director Christine Lagarde calls for rapid and joint action to keep to the path towards economic recovery. The same day, British Prime Minister David Cameron calls for urgent action to resolve the debt crisis

*[The reasons for these calls to action are both different and similar. Ms Lagarde, after replacing Dominique Strauss-Kahn in complicated circumstances and while he was attempting to impose a state-run network of controls on capital transfers, was trying to support the economic and financial system with more orthodox yet more cooperative methods, while Mr Cameron sees the role of the City as the main financial centre under threat if EU countries do not act to repair the damage caused by speculation which took place in London and by all the big monopolist operators in the Northern hemisphere]*.

**September**

Spain approves a constitutional amendment to limit deficit. Greek Finance Minister Evangelos Venizelos announces that Greece has been made the scapegoat for EU incompetence *[a diplomatic way to denounce the assault on Greece by its stronger and weaker partners as a cover for their own weaknesses and lack of solidarity caused by typically nationalist short-sightedness]*.

**3-4 October**

During an ECOFIN summit, there are signs that private investors will be forced to accept bigger cuts on Greek bonds than specified in the agreement on 21/7. However, ministers postpone the payment of another tranche of funding to Greece, causing European stock exchanges to fall and speculation to increase on European recapitalisation plans. **Moody’s downgrades Italy for the first time in nearly twenty years, from AA2 to A2 (3 notches).**

**5 October**

The EU signs an agreement including the additional guarantees on collateral requested by Finland, but with a series of conditions making the option unadvisable to apply *[the EU is not capable of promoting big projects as a group, but it is capable of sabotaging the efforts of anyone attempting to move on their own: Finland had the same experience as France when it tried to create a Mediterranean Union]*.

**6 October**

The Bank of England introduces another £75 billion quantitative easing, while the ECB reveals emergency financing for banks. Spain announces that the losses created by bank bailouts will be paid for by the financial sector rather than by taxpayers.

**7 October**

**Fitch downgrades Spain to AA- and Italy to A+.**

**10 October**

Belgium bank Dexia goes bankrupt, divided among French and Belgian interests. The “markets” are reassured when the bank is saved.

**18 October**

French bond yields rise to 112 points higher than Bunds.

**21 October**

Although Papandreou passes another austerity package, his government loses by one vote. A preliminary report by the EU, ECB and IMF defines Greek debt as “still concerning”. Nonetheless, the ECOFIN approves the next €8 billion tranche of funding, which appears to save the country from default.

**23 October**

Greek bonds are quoted at 25% of their value. The Merkel-Sarkozy duo is openly sceptical of the Italian government’s ability to sort out its own finances.

**26-27 October**

14th European crisis meeting in 21 months. Trilateral agreement to: increase

the temporary bailout fund to €1 trillion, force private investors to accept a 50% haircut to Greek debt, push banks to recapitalise €130 billion and pay another €130 billion in aid to Greece.

**31 October**

Papandreou surprises Europe and the Greek parliament by announcing a referendum to approve the second bailout package. One day later, shares and bond markets fall due to fears that a negative referendum could push Greece to an uncontrolled default. Greek two-year bonds reach a record yield of 84.7%. On 31 October Mf Global Holdings Inc. goes bankrupt due to failed bets on the sovereign debt crisis *[a significant date because traditional politics attempts to bring the decision to the people, while financial oligopolies aim for fast and unquestionable profit; some speculators are too optimistic regarding the time needed to see profit from their bets]*.

**2-3 November**

European heads of state block funding to Greece and declare that Greece must decide immediately whether to stay in the euro or not. Papandreou withdraws his proposal. Draghi, Governor of the ECB, unexpectedly cuts interest rates to 1.25% *[the threat issued by partner states is not only in net contrast with the Maastricht Treaty, which speaks of an irrevocable monetary union, but is a heavy-handed intervention in the internal democratic processes of another country]*.

**4 November**

The G20 summit in Cannes fails to agree over the increase of resources to the IMF, in order to allow it to support the European bailout mechanism *[the failure of the Lagarde line, which requested support for the IMF in order to resolve everyone’s problems. especially from the US. The US, UK, South Korea and Japan were against the idea right from the beginning, and the BRIC countries had no intention either to invest in bonds or re-route funds necessary for their own internal adjustments]*.

**8-9 November**

Berlusconi resigns immediately after the approval of the new austerity budget. After losing his majority and seeing BOTs rise to record 7% yields, their highest point since joining the euro.

**11-12 November**

Lucas Papademos (ex-central banker) and Mario Monti (ex-EU commissioner), two technocrats trained at investment bank Goldman Sachs; take the lead of their respective governments in Greece and Italy.

**30 November** Six central banks coordinated by the US Federal Reserve (ECB, Canada, Switzerland, Japan and UK) agree to offer loans in dollars at lower prices in emergency situations.

**1 December**

Draghi calls for a new fiscal compact and announces that in exchange, the ECB can do more to combat the debt crisis.

**4 December**

Monti approves additional austerity measures worth €30 billion.

**5 December**

**S&P places France, Germany and another 13 unspecified euro area countries (euro area states: Austria, Belgium, Finland, Estonia, France, Ireland, Italy, Luxembourg, Malta, Netherlands, Portugal, Spain, Slovakia and Slovenia. Greece and Cyprus were not included in the review) under observation for a possible downgrade of one or two notches unless an agreement is reached on the euro crisis by the end of the week.** [This was the most massive action ever taken by a ratings agency during the crisis]

*2012*

*[the most sweeping action by any ratings agency during the entire course of the crisis]*.

**8 December**

The ECB cuts the interest rate to its lowest ever rate of 1% and offers unlimited liquidity to banks for three years, while also relaxing the rules on collateral *[this is probably the tactical turning point in the financial assault on the euro, but it is also the biggest ever move to dispose of toxic assets on a European level]*.

**9 December**

European summit: draft fiscal compact, an additional 200 million for anti-crisis funds, and acceleration of the €500 billion bailout fund for the following year. Draghi approves, but does not indicate if bond purchases will be increased. Sarkozy announces that France and other countries will push for an inter-governmental treaty to include budget rules for dealing with the crisis. Hungary and the UK oppose the move, while the agreement is fixed to expire in March 2012.

**5 January**

Weekly news magazine Die Zeit reveals that weapons purchases by Greece have not been affected by austerity measures, despite public sector cuts *[if the weapons industries forget that they exist to preserve sovereignty, the risk being treated like any other industrial sector in the future]*.

**13 January**

**S&P downgrades France and Austria (which lose their AAA status), Slovenia, Slovakia, Spain, Malta, Italy, Cyprus and Portugal for failing to deal with the debt crisis in the euro area. Portugal and Cyprus are downgraded to junk status and Portugal is the second country, after Greece, to be completely downgraded by all three ratings agencies** (see table).

**S&P’s Downgrade**

France ............................... AAA to **AA+**

Austria ............................... AAA to **AA+**

Slovenia ............................. AA- to **A+**

Slovakia ............................ .A+ to **A**

Spain ................................ ..AA- to **A+**

Malta ................................ ..A to **A-**

Italy ................................... .A to **BBB+**

Cyprus .............................. ..BBB to **BB+** Portugal............................ ...BBB- to **BB**

**16 January**

**S&P also downgrades the EFSF from AAA to AA+.**

**30 January**

Consulting firm Roland Berger announces that it is collecting funds from financial institutions and business intelligence agencies to create a non-profit ratings agency for mid-2012, in order to start operating by the end of the year *[using the Dagong as an example]*.

**30 January**

The fiscal compact is signed by 25 EU states, with the sole abstention of the UK and Czech Republic. The aid package for Greece will be of over €130 billion, planned for the autumn, while negotiations continue for a hard-hitting haircut.

**21 February**

The Eurogroup agrees on a second Greek bailout.

**February**

Greece is saved for the moment by a voluntary plan to exchange bonds by private investors. The law passed by parliament, however, also includes a forced involvement clause.

**Moody’s downgrades six European countries (Italy, Portugal, Spain, Malta, Slovakia and Slovenia) and puts the AAA ratings of France, UK and Austria on negative outlook. Italy AA1, Spain A1, Portugal BA2, all with negative outlook. However, in contrast to S&P, the AAA rating is confirmed for the EFSF*.***

**1-2 March**

First European summit where the euro crisis does not eclipse the rest of the agenda.

**3 March**

**Moody’s downgrades Greece to its lowest level, from CA to C, signalling default.**

**9 March**

The Eurogroup certifies that Greece meets the conditions for receiving funding. Five days later, the first tranche of €39.4 billion is issued. Greece avoids default by applying the forced exchange of bonds for the remaining 15% of creditors who did not accept voluntary exchange *[with nothing to lose, the government has fallen back on its own sovereignty]*. The International Swaps and Derivatives Association certifies that by applying the forced exchange clause, Greece has caused a “credit event”, triggering the payment of *credit default swaps* as re-insurance on Greek treasury bonds.

**10 March**

**Fitch certifies a partial default in Greece.**

**13 March**

**Fitch raises Greece’s rating to b- with a stable outlook** *[technically, the rating is only raised by one notch, but in terms of interpretation it has passed from partial default with little hope of recovery to a high risk level, a promotion of three grades of risk]*.

**19 March**

The EFSF and ESM are extended by governments in order to combine resources of around €800 billion; the manoeuvre takes place following pressure from the G20 and IMF due to fears that the funds will not be enough to save Spain and Italy.

**29 March**

**Fitch gives the EU a rating of AAA, with a stable outlook.**

**May**

Anti-austerity political parties take hold in France, Greece and Italy.

**1 June**

The British economy starts to be affected by the combination of the global crisis and the euro crisis. Forecast growth of 0.1% becomes difficult to achieve in reality [*British politicians begin to understand that, although out of the euro, they have a common interest in preserving its future, although they continue not to see the political consequences*].

1. “*In the meantime, the Euro has become the second most important currency in the world. This European currency has so far been more stable than the American dollar in both foreign and national dealings – and more stable than the German mark in its last decade. Everything that is said and written about a presumed “euro crisis” is simply frivolous chatter among media, journalists and politicians”.* [↑](#footnote-ref-1)
2. For further details see A. Politi, <http://europeancommongoodsblog.org/2011/10/27/euro-crisis->and-common-sense-an-essay-on-hope-against-greed-and-fear/; A. Politi, http://ilpoliti.ilcannocchiale.it/post/2707073.html, http://ilpoliti.ilcannocchiale.it/post/2722308.html, http://ilpoliti.ilcannocchiale.it/post/2692263.html; A. Blundell-Wignall, Special Advisor to the Secretary-General of the OECD on Financial Markets, Ratings Agencies Issues, French Senate March 2012, [http://www.oecd.org/dataoecd/10/50/50018884.](http://www.oecd.org/dataoecd/10/50/50018884) pdf; S. Vitali, J. B. Glattfelder, S. Battiston (2011) The Network of Global Corporate Control. PLoS One 6(10): e25995.doi:10.1371/journal.pone.0025995, ref. <http://www.plosone.org/article/info>%3Adoi%2F10.1371%2Fjournal.pone.0025995. (12/4/2012 for sources). A. Politi and C. Bettiol, “Il gioco di Scrat e Sid”, Limes, 6/2011, pp.143-150. [↑](#footnote-ref-2)
3. According to the book by Paolo Gila and Mario Miscali, *I signori del rating* (*Lords of the ratings*), published by Bollati Boringhieri, Turin, 2012, the percentage of market share is 95%. The figure shown here is taken from an interview with an anonymous operator on the Italian market. A Reuters report dated 28 February 2012 11:24am EST ([http://www.reuters.com/article/2012/02/28/eu-ratingagencies-idUSL5E8DS55620120228,](http://www.reuters.com/article/2012/02/28/eu-ratingagencies-idUSL5E8DS55620120228) consulted on 29/5/2012) put market share at around 80%. [↑](#footnote-ref-3)
4. This is a prudent estimate relating to all industry and service sectors. Sources suggest that 70% of banking audits are performed by either E&Y or KPMG (Public Company Accounting Oversight Board), while 91% of public utilities are certified by Deloitte & Touche or PWC. Ref. [http://www.](http://www/) americanbanker.com/bankthink/how-to-break-up-the-big-four-accounting-oligopoly-1047948-1. html?goback=.gde\_4297170\_member\_105147879 (29/5/2012). [↑](#footnote-ref-4)
5. Operating revenue is the proceeds from selling goods or services to third parties during the financial period. See the illustrations below; sources are quoted above. [↑](#footnote-ref-5)
6. Control is defined as “*the amount of a firm’s economic value that can be influenced by a single shareholder*”, observing the amount of power expressed by each shareholder within their portfolio of direct or indirect stake-holdings. Therefore, stakeholders with a high level of control are those potentially capable of imposing their decisions on a large number of companies with a high economic value. [↑](#footnote-ref-6)
7. The result of the alliance between the New York Stock Exchange and Euronext (including the Paris, Brussels, Amsterdam and Lisbon stock exchanges). NASDAQ (National Association of Securities Dealers Automated Quotation) merged with the powerful Scandinavian OMX exchange in 2007. LSE Plc. includes the stock exchanges of Milan and Turquoise, a multilateral trading platform. Frankfurt has created Clearstream, the largest exchange centre for eurobonds, and has created an alliance with the Madrid stock exchange, has made an unsuccessful merger attempt with the London stock exchange (2005) and has acquired the American ISE exchange, creating the largest transatlantic derivatives market. [↑](#footnote-ref-7)
8. Regarding the activities of hedge funds and financial groups, see <http://www.independent.co.uk/news/business/>news/soros-hedge-fund-bets-on-demise-of-the-euro-1914356.html (18/4/2012); Wsj, Hedge funds gang up on weaker, 26-28/2/2010, pp. 1-5. [↑](#footnote-ref-8)
9. Debt leverage is the entire range of financial instruments (including options, futures, derivatives, etc.) that allow a company to command more than its actual capital, in order to invest or function with higher risks and earnings. A leverage ratio of 30:1 means that the company has loaned 30 times its own capital. [↑](#footnote-ref-9)
10. Shadow monetary mass indicates the liquidity (the range of instruments used as promise of payment) not counted as either physical circulating liquidity (cash and banknotes) or according to the standard criteria used by central banks and control authorities. No published figures exist estimating the value of this monetary mass and it is possible that no secret estimates exist, except for approximate estimates. [↑](#footnote-ref-10)
11. See <http://www.ilsole24ore.com/art/commenti-e-idee/2012-04-10/meno-truppe-mezzi-leser->cito-064223.shtml?uuid=Ab7IyfLF; the remaining UK forces will also undergo heavy cuts http://www.linkiesta.it/isole-falkland-malvinas. The reasoning behind Greek military spending appears to be different; the insistence of the weapons industry on payment in this period is a serious threat to the industry’s long term image and function in Europe <http://www.guardian.co.uk/world/2012/apr/19/greece-military-spending-debt-> crisis?newsfeed=true (19/4/2012). [↑](#footnote-ref-11)
12. Ref. <http://home.mira.net/~sp/magazine/sep97/thailand.htm>(29/5/2012). [↑](#footnote-ref-12)
13. See OECD note 2. Moreover, the figures provided by S&P contain at least one important error: on 13/6/2011, S&P had already cut Greece to CCC, the lowest of all the countries considered, while according to the map the lowest level was only reached in May 2012. [↑](#footnote-ref-13)
14. See <http://www.megachip.info/component/content/article/7451-1992-2012-ventanni-dopo-10->

-punti-su-sovranita-politica-e-sovranita-monetaria.html?showall=1 (19/4/2012). [↑](#footnote-ref-14)
15. See <http://www.aljazeera.com/indepth/opinion/2012/03/201232710859674817.html>(28/3(2012). The offshore bases are the Isle of Man, Jersey and the Channel islands, along with Caribbean territories (Bermuda, the British Virgin Isles and the Cayman Islands). [↑](#footnote-ref-15)
16. Despite showing strong resistance, the financial world now feels that the time is right to pay a symbolic Tobin Tax – a small price to pay in order to ensure the sector remains deregulated. [↑](#footnote-ref-16)
17. <http://www.ritholtz.com/blog/2012/01/the-future-of-the-euro/>(19/4/2012) [↑](#footnote-ref-17)
18. It is no surprise that the OECD believes a European ratings agency would face problems due to conflict of interest. These issues would indeed be a problem, but the political evaluation is in the choice between the current concrete conflicts of interest from outside the EU and the independent conflict within the structure of EU power. [↑](#footnote-ref-18)
19. P. Regola, *Il ritorno dello stato padrone. I fondi sovrani e il grande negoziato globale*, published by Rubbettino, Soveria Mannelli, 2009 [↑](#footnote-ref-19)
20. In May 2012, France was backing options D and E, while, Germany preferred a combination of A, C and F, including a reformed Growth and Stability Pact specifying automatic sanctions and more control over excessive public spending. Paris attempted to spread the burden in a slightly more balanced manner, while Berlin attempted to make those who caused the crisis pay, if responsibility can be duly allocated under the German political vision. [↑](#footnote-ref-20)