Economics in Brief

Sovereign Debt

London Wants ECB To Buy Billions of Euro Bonds

June 18—The City of London is pushing for the European Central Bank to buy hundreds of billions of euros worth of European sovereign debt as the only way to save their bankrupt system. City of London mouthpiece Ambrose Evans Pritchard, writing in today's *Daily Telegraph,* quotes Brian Coulton of the Fitch rating agency, who complains that the ECB, under German pressure, is not buying enough sovereign debt.

"There has been an unwillingness to follow through and the markets are going to want to see the ECB's money. It will require hundreds of billions in my opinion," Coulton told a Conference on Global Banking.

The ECB has already bought EU47 billion worth of Greek, Portuguese, and Irish government bonds. At least EU25 billion of that are in Greek bonds.

Fitch's prediction might come true soon, given the situation with Spain, whose economy is four times larger than that of Greece. Spain managed to sell EU3 billion euros of 10-year bonds and EU379 million of 30-year bonds—but at a punitive interest rate of 4.86% and 4.97%, very close to the 5% mark, which, once crossed, puts it on the way to become another Greece.

Austerity

British Imperial Policy Behind EC Budget Cuts

June 18—The unelected would-be dictatorship of the European Commission made demands for even deeper and more destructive austerity programs from European governments on June 16—essentially acknowledging that each round of cuts the EC demanded, would make the next round worse. On June 17, British Prime Minister David Cameron made clear that London is behind this EC takeover of European nations' budgets—though of course, London itself will not join in the arrangement.

EC Economics Commissioner Olli Rehn issued a new report to European finance ministers at the EU summit in Brussels, where members—except the U.K., which is not in the Eurozone, of course—agreed to submit their proposed government budgets to the EC first, in order, then, to be permitted to submit them to their national parliaments. This imperial fascism has been given the newspeak name of "the new governance."

Cameron held a press conference at the same EU summit in Brussels on June 17, and gave the British imperial line bluntly: "Let me make this very clear; Britain does not intend or agree that any further powers shall pass from Westminster to Brussels; we are not members of the euro. We will always submit our budget first to Parliament. But if the nations which are members of the euro now find, because of this critical situation, that they have to make new governance arrangements, they will have to proceed and do that."

Exchange Rates

China Warns: No Pressure On RMB Revaluation

June 17—Chinese Foreign Ministry spokesman Qin Gang warned today that the United States should not try to pressure China on revaluing the RMB. Responding to a question regarding Treasury Secretary Tim Geithner's comments this week on the need for RMB revaluation, Qin said: "Numerous facts have proven that the RMB exchange rate is not the major cause of the trade imbalance between China and the U.S. Since the reform of China's exchange rate formation mechanism in July 2005, the RMB has appreciated by 21% against the U.S. dollar in cumulative terms. However, there has been no apparent improvement in the U.S. trade deficit with China during the same period."

The U.S.-China trade imbalance is largely attributable to an international division of labor, as well as U.S. export controls on high-tech products. RMB appreciation will neither resolve the trade imbalance between China and the U.S., nor address other domestic issues in the U.S. such as low savings, credit spending and unemployment, Qin said. "When and how the reform will take place," he underlined, "depends on our overall consideration based on the changes in world economic situation and the performance of China's economy."

Banking

Santander Is Rock-Solid, The Suckers Are Told

June 18—The Inter-Alpha Group's Banco Santander came out as the No. 1 European bank in "stress tests" conducted of some two dozen banks by the EU's Committee of European Banking Supervisors, according to a Spanish government source cited in that country's *El Mundo* of June 17.

The announcement was met with guffaws among informed observers, because the reality is that Santander is, at best, a heartbeat away from bankruptcy. The London-controlled predatory bank's profits are built on "rock-solid" quicksand: a) the Brazilian carry trade looting mechanism; b) Spanish real estate speculation, where there are record rates of non-performing loans: c) U.K. real estate speculation, which is almost as blown out as Spain's; and d) bottom-feeding and distress takeovers of other financial institutions around the world—its latest target being M&T Bank in the U.S.

Santander passing a banking stress test with flying colors, is about as credible as the safety assurances given by British Petroleum about its Gulf of Mexico oil rig.

The results of the stress tests will be announced by the second half of July, ECB president Jean-Claude Trichet announced yesterday. This is "to show investors that the financial system can withstand shocks," Bloomberg reported with a straight face.

Spanish Prime Minister Zapatero held a bilateral meeting with British Prime Minister Cameron on the sidelines of yesterday's EU summit in Brussels, after which the two giggled publicly about how Santander has taken over a whole street in the City of London.