

## Pyrrhic victories – Fiat Euro! 1/2013

*Did we see only Pyrrhic victories or a real turnover in the crisis last year? Greeks remain the worst pupil in the class, Spaniards pretend that nothing bad happens, Cyprus is not interesting and French exodus continues.*

We had the busiest year of the euro crisis. The previous winter the second round of LTRO ran, which poured into the banks another half a trillion euro. A while later Greece went bankrupt and started to receive financial assistance from EFSF. Gradually, more candidates appeared - Cyprus, Slovenia and Spain. But so far only Spanish banks received assistance. Greece, which experienced two elections apart just a few weeks (nailed by unprecedented success of the neo-nazi Golden Dawn), got into selective default due to the bond buyback for a third of their nominal price at the end of the year. ESM was launched, ECB started OMT program, the bond buy program for problematic countries. The shy steps were done to create a banking union, and Britain officially started to discuss changes in its relationship with the EU.

Despite the fact that our [Euro Bill](#) climbed to more than 3 000 euro per person, the end of 2012 in Europe had a mild flavour of optimism. Unfortunate Greece still pays by euro, Spaniards refuse aid, Slovenians supposedly do not need it at all, Portuguese and Irish do reforms and Italians pretend that they can solve their more than 120 % of GDP high debt and their decade frozen economy just so in between afternoon ristretto and a dinner. They believe so also thanks to the decrease of their and Spanish bonds prices, which is witnessed since can the declaration of the OMT.

If it seems to you that we are overcoming the crisis somehow easily, it's really just a feeling. Only Italy, France and Spain [will need to obtain](#) this year 332 billion, 243 billion and 195 billion euro.

The focal point is still Spain. Besides need to obtain in 2013 the money in value of 19 % GDP, fight on several fronts is waiting. Real estate prices are falling steadily, which holds a knife to the neck of the banking system. ESM loan pushed in the future its potential collapse, but it may not be enough. The state experiment named Bankia did not work and its shareholders will end up with a fraction of its value in their hands, if any. The bank delisted from the stock exchange and its value is -4.1 billion euro. No, this is not about malicious speculators who paid the price for their greed. [It is about 350 000 shareholders](#) who are many cases ordinary elderly or families who still believed the promises made in 2010 that they will multiply their savings by the purchase of Bankia shares. Many of them did not even understand their very transformation from the depositor to a shareholder, the only important thing for them was that the employee who persuaded them to do so said that it's worth it. Serious problems are also in regions, which often do not pay to their suppliers and drive many of them to bankruptcy. New taxes have similar effect. The country's oldest reactor, whose operation was no more profitable due to the new energy tax, [had to be shut down](#).

At the beginning of the year Greeks poured some raki in the form of alleged [primary budget surplus](#) in the first eleven months of 2012 to improve their mood. It should be recognized that they really did most cutting compared with other the southern states, but the fight is not over

yet. In addition to the continued growth of unpaid bills to suppliers, the disastrous state of the banking system still remains a serious problem. Now banks need [nearly € 30 billion euro](#) to recapitalize, but in 2012 they registered an increase of delinquent loans by a half. Their [value is 55 billion euro](#), and if they fail to stop its growth, the banks will need to recapitalize again.

Cyprus will be almost certainly the next client of ESM. This island state needs to obtain money worth around 100 % of GDP. This staggering amount does not inhibit them to be indifferent, for instance [they refuse privatization](#). Even a suggestions that Cyprus will have to [write off a part of the debt](#) appeared recently. We would be witnesses of another member state's bankruptcy in the eurozone. Assistance will be negotiated on 21st January, but sincele Cyprus GDP is around a quarter of Hamburg GDP, nobody really cares about the situation.

Meanwhile another famous artist from France is packing his bags. Composer and musician Jean Michel Jarre plans to move his business brand to London. Will he be joined by the second of the two famous movie Gauls Christian Clavier, or well-known businessman Alain Afflelou?

Our brothers, with whom we celebrate together 20 years of separation, got into the viewfinder of European Commission. [It is noted in leaked document](#) that the Czechs commit extensive and systematic fraud with European money. A country is already suspended of funds worth nearly a half billion euro. We congratulate Brussels on this truly striking discovery and invite them to visit Slovakia.

What do we find positive in the New Year? Perhaps the shy idea of [free trade agreement](#) between the U.S. and EU, although similar agreements often end up with more regulations and tariffs than there were at the beginning. If you really want free trade, you can simply cancel tariffs and other barriers, you do not have to negotiate any agreement thick as the Lord of the Rings book.

When mentioning the USA, the Fed will finance this year (by printing money) [a half of its deficit](#). It would be possible to buy for example one tenth of all the extracted gold in the Earth, or to give every American the thirteenth salary with this amount of new dollars.

So finally we did not end up very optimistic, let's try to save it at least with [this astral trip](#) of tax exile. I wish you to fulfil the most resolutions!

**Martin Vlachynsky**