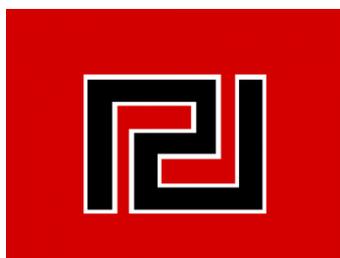


## The end of cuts? – Fiat Euro! 18/2012

*Marshall is coming back to Europe, where British argue with French about banking rules and Greeks want to place mines on the borders. Even though a new wave of recession is flooding Europe, rating agencies turned gentlemen and raised a couple of ratings.*

Fiscal pact hasn't properly cooled down yet and there is already anti-austerity mood in Europe, not only among demonstrating people but also among politicians. Maybe it is because of the level of unemployment in the EU, which „improves“ its record every month and now it is only some fractions away from the 11% level. The Dutch government fell down because of cuts and the similar opposition presented by the new French president Hollande already in the campaign paid him off last Sunday. It remains to be seen how this change of wind will affect Irish in a month, when they will be voting in a referendum about the fiscal compact. Their Prime Minister warns that NO will mean higher taxes.

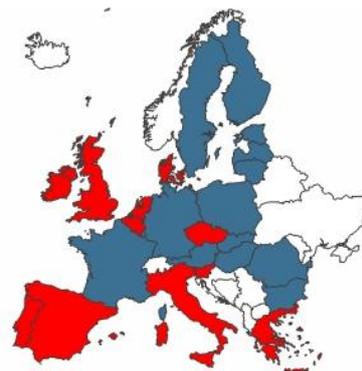


you are surely prejudiced!

On Sunday also Greeks were voting. Two strongest parties according to polls have together around 40%, which means that they will need a coalition partner in the government. The possibilities include rapidly growing stalinist KKE, its twin SYRIZA or Golden Dawn, which according to the polls got closer to the threshold. They intend to place mines on the border with Turkey and if their flag reminds you of Adolf's one then

The EU sees the change of mood so it came up with a new idea. It will not only cut, but also spend. For the beginning, a new Marshall Plan of 200 billion should be enough, to spend it on infrastructure. European house of cards would get another pillar. Needless to say, it is not a right step.

If you fail to keep track of which member states are back in recession, Reuters made it easier thanks to this simple tool. I can sum it up for you: Portugal, Spain, Greece, Ireland, Cyprus, Czech Republic, Great Britain, Belgium, Holland, Denmark. But let's not be pessimist. S&P raised rating of Greece from „it is not worth speculating“ to CCC, meaning „Bernie Madoff may try it“. Similar step turned out better for Latvia – the same agency raised its rating back to investment grade. The fruits of austerity and reforms start to be ripe in Baltic states.



Weaker children are easier target of for bullies. Argentina nationalized assets of Spanish company Repson and in addition, somebody planted a bomb in front of the EU's office in Buenos Aires. Bolivia is getting ready for similar step, seizing the branch of Spanish company Red Electrica Española. Without a bomb for now.

This week the EU fought a discreet but very intense battle, so far without any results. EU Ministers of Finance tried to find agreement on the implementation of the new international banking rules BASEL III into the European legislation. One camp, led by France, wants to grant Brussels sovereign right to estimate bank capital adequacy (meaning what part of



bank's assets is covered with its own capital). Contrary to Britain (partly also [Sweden](#) and Poland), which has the biggest banking system in Europe and is against this idea as it wants to oblige its own banks for the reasons of safety to keep higher capital adequacy than it is set in BASEL III. British bankers would have to withdraw capital, decrease their lending activities in Europe, and the

better secured banks would lure away capital from French and German banks, which are exposed to PIIGS more than the British ones. [European Internal Market Commissioner Michel Barnier](#) agreed with it in his own absurd way: “We are creating a dangerous mechanism which could lead to markets putting one member state after another under constant pressure to meet ever-higher capital demands, to the detriment of growth and employment.” In other words, if markets had such possibility, they would push the banking system to become stronger and safer. This, however, could slow down the immediate GDP growth, which is adored by the politicians as if it was the God of Fertility.

For the safety of ECB guys, who were meeting in Spain, Spanish officials [restored border controls](#). Potential reduction of the interest rate from today's 1% [didn't work out](#), but the president of ECB Draghi called for the countries to complement the fiscal compact with a growth compact, a commitment of the states to reform their labour markets and increase competitiveness. The space for commitments and challenges is never filled in Europe! According to Draghi, countries have to agree where they want to see the Euro in 10 years. If they want a fiscal union, they have to prepare for further transfer of power into the hands of Brussels.



The secretary general of the European Court of Auditors was [investigated](#) by the EU's anti-fraud office (OLAF) over the way in which his court hired security guards. This injustice made him so angry that he sued OLAF himself. Even though he did so as an individual, his monthly salary of EUR 16 000 probably wouldn't cover the costs of a good lawyer, so he rather used taxpayers' taxpayers. He lost the case but obviously doesn't have to return the money.

Interesting things are happening also outside the EU. American [Jim Yong Kim](#) was appointed as the new president of the World Bank, a decision which slightly [enraged the third world](#). Not so much because he defeated far more competent Nigerian Minister of Finance Ngozi Okonjo-Iweal, but mainly because of his statements from the past, when he opposed reforms that led millions of people in China and India out of poverty. Who knows what surprises he has for the poor.

There was a [TV battle](#) between Paul Krugman and Ron Paul in the USA. Even though Krugman's ideology dominates in the mainstream politics, it is nice to see public debates on economic issues. Even here back home in Slovakia the governmental programme is discussed a bit, it's a pity though that among its most specifically discussed parts there are only such topics as "the recyclation of stones". The some much feared death tax (inheritance tax) is announced [one day](#) and cancelled [another](#). It may finally happen, that we will be forced to pay [a healthy eyesight tax](#) with 2 dioptr as tax deductible.

Czech senators approved [European S&M](#) after a year, although they [didn't have much idea](#) of what they just signed.

If this tropical weather drags you outside, I have a tip for you. Try a lookout at Slovak-Moravian border. It is possible that you [won't see anything](#) but at least it will warm your heart to know that we didn't waste eurofunds.

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