

Brussels is changing the game – Euro Crisis! 22/2013

The European Commission amends the terms of consolidation. Banks are still not lending to the south. Spaniards finally found jobs - in Germany.

The European Commission has [changed its mind](#) with regards to the recommendations for individual member states. In its regular evaluation yesterday, Commission gave deferral to the [six problematic countries](#) to comply with the deficit targets. In other words, French, Spanish, and Portuguese Governments can breathe easier for a while and keep kicking the can down the roads .

Regarding the evaluation of the fiscal position in Slovakia, the Commission was quite accommodating, since this year we are halfway to the deficit goal of 3% of GDP. We should be careful too, though. Further accumulation of debts by irresponsible countries opens up additional possibilities for distribution of debt among Europeans through the ESM or ECB's bond purchase programs. After all, our elected representatives voted through consensus to accept this possibility. At the end, the bill of the state always goes to taxpayers.

Brussels, thus, is starting to put more emphasis on structural reforms instead of austerity. As if it was not possible to make cuts and reform at the same time. It seems that when promises concerning fiscal responsibility are apparently becoming a failure, focus should be redirected on reforms. Politicians in Europe would sell anything or labor market reform.

Speaking of reforms, Slovenia is challenging other member states in fiscal consolidation. Lawmakers voted for the law, according to which it will [not be possible](#) to propose a budget deficit. This could be some inspiration for the French or the Spanish, couldn't it? But, as always, there is a catch. This rule does not apply if there are unpredictable circumstances. A more precise definition whether the unpredictable circumstances are nuclear war, millennial floods, or only low economic growth and (un)planned bailout of banks is, however, lacking.

We should not underestimate the creativity of governments when it comes to publishing the deficit data, either. It would not be the first time that Brussels dictates the final outcome of and Member States simply adjust the variables to general satisfaction. Most recently, Spain is going to give it a try. [Prime Minister Rajoy proposes](#) that the tax breaks given to the companies employing young people did not count into deficit at all. What is the point of actually counting the deficit if there is no deficit in it?

In the meantime, youth unemployment in Spain is more than 50%. Part of them still hope to find employment in Germany, where there still about a [million vacant jobs](#). Spanish and German Ministers of Labor agreed on a program that could help 5000 Spaniards yearly to gain some work experience in Germany.

The Spanish government prefers employment stability instead of a more flexible labor market, which would give young people opportunities at home. The duration of temporary contracts for people without university degree is therefore [limited to 2 months](#). Also this measure contributes to an incredible 27% unemployment rate as nobody wants to hire millions of people on permanent employment in the crisis-torn Spain.

Having mentioned the Spanish labor market, we should not exclude the local banking sector. In April, the volume of provided loans decreased by 8.8% on year-on-year basis. Overall, the number of provided loans has [been descending for the past 12 months](#) in the whole euro area. The economy is stepping on the brakes. And all of this despite the fact that the ECB is flooding the banking system with newly created money.

The balance sheets of banks in southern Europe are still suffering from the effects of the bursting bubbles. There is not much of free capital and indeed the banks are struggling to survive. The Spaniards had already exhausted the 41 billion euro from the 100 billion-dollar aid pledged for its crippled banking sector. 50 billion euro of [bad loans](#) were already transferred from the banks to the recently created State Bank called Sareb. This bank, however, does not necessarily comprise all the bad loans that banks had on their balance sheets. An open question, which no one wants to hear, is: who is going to pay for these losses in the end?

Fortunately, the EU is also dealing with more pleasant problems. According to the Lisbon Treaty the number of Eurocommissioners was supposed to decrease to two thirds of the member states, unless unanimously decided otherwise. However, since the EU could not decide on which Commissioner should step away, they all consensually agreed that their number will continue to match the [number of countries](#). Thus, after this year's enlargement by Croatia, the number will grow 28.

Not to mention that there is already a Commissioner for Inter-Institutional Relations and Administration, and in addition both Commissioners for the Environment and Climate Change. Rewarding their hard job is quite expensive. Salary of commissioners reaches 20,000 euro per month, and is complemented by various allowances, to allow for the compensation for the sacrifice of permanent traveling for the public service.

Fewer Eurocomissioners would maybe bring fewer euro-ideas - such as the [ban of refilling bottles of olive oil](#) in restaurants. The idea, fortunately, was [brushed off](#) after a wave of criticism. However, it is only a matter of time until the lobbyists will come up with something else. Increased bureaucracy offers well-organized groups a larger space to ensure a rent through tailored regulations. All nicely packaged as protection of the consumers, who are eventually forced to pay for this rent.

Finally, we have a warning for those who use peroxide for cleaning products. Brussels included peroxide in higher concentrations into the list of restricted substances in order to help their part in [fighting the terrorism](#). Therefore, we might be soon required to hold an official permit for its purchase.

Luckily, you do not need any special permits to be allowed to read Euro Crisis.

I wish you rest of the week undisturbed by bureaucracy.

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