

Slap to illusions – Fiat Euro! 26/2014

Trust, illusions, disappointment, again and again. Romantic songwriters use the story of love to describe such a cycle but honestly - if they would want to be consistent, they would sing about politics. The Game of the European Throne degenerates into a struggle for a new Europe and many naive expectations can expect a cold shower.

Nigel Farage finally managed to form (or rather remake from EFD) his own fraction. [EFDD](#) has 48 members from seven countries, 41 of which are either coming from UKIP or the Five Star Movement of Italian comedian Beppe Grillo. In fact, this information did not get much of the attention. The fight for the seat of the President of the Commission is gaining ever greater momentum though, but among "traditional parties". Temporarily subdued conflict between the "South" and the "core" is again at the forefront, as it was in the old days.

Italian Prime Minister Renzi was not left alone, in his strategy to support the candidacy of Juncker in exchange for laxer budgetary rules. French government is a natural ally, however, he gained the support also from several German social-democratic politicians. For instant, from German vice-PM and Economy Minister [Sigmar Gabriel](#). Even though, Merkel immediately wiped off the table softening of any regulations, former President of the Socialist fraction [Hannes Swoboda](#) (who was last week replaced by the second candidate for the President of the EC Martin Schultz) confirmed that without refinement, socialists will not support Juncker.

But strategic maneuvers are taking place also outside the corridors of the European Parliament. According to [British newspaper The Sunday Times](#), German Bild supports Juncker in exchange for a gentlemen's agreement. If Juncker wins, he will help Bild (and other German media) in the battle with Google. German and French newspaper are suspicious about the Google's wealth. Therefore, they are pushing the Commission to force Google to share the pennies. For instant, it should pay to newspaper for [displaying them in search results](#).

Those, who in the rescue chain repeatedly opened wallets (let's call them Germans) will cry because of false illusions. They believed, that lending the money will make borrowers to behave responsibly. Well, bad luck. Regardless of whether you have been waiting this slap to illusions or not, prepare your wallets again. Politicians increasingly repeat the mantra of "pro-growth investments" - what cannot be anything good. And if there are people in this world who do not know what this term means, they must be the career officials and politicians. But wait, those are exactly the same who will decide about hundreds of billions. What is more, now they ask to exclude those decisions from deficit. And this would make only a piece of paper out of the fiscal rules.

But in addition to mythic pro-growth investments, ECB is also ready to combat the crisis. Its chief Mario Draghi [joined the group](#) who is convinced that Member States should share the sovereignty (read to transform the decision-making to Brussels) even in the area of labour market. However, the International Monetary Fund reminded him rather to mind his own business. Draghi noted that the ECB should give more effort to get the "stubbornly low inflation" into move and to launch the equivalent of U.S money printing called quantitative easing. You notice that there is something wrong when someone starts to attribute the abstract phenomenon with human characteristics - such as stubbornness.

The world of public debt meanwhile continues in its life in parallel dimension. Bankrupt Cyprus returned to the bond market after more than a year out. It sold five-year bonds for 750 million euro with interest of 4.85%. That is, indeed, the highest amount euro area countries, though, still incredibly low. Slovakia used to borrow with such conditions back in the times of its boom in 2004!

Greece is waving with the good news too. During the first five months of 2014 it reached the [primary surplus](#) of 700 million euro, while awaiting only 200 million. The other thing is that after counting the interest it turns out to be a deficit in the amount of two billions. There is a [dynamite with a short detonating cord](#) in the Greek budget. In 2016, 900 million euro will be uncovered in the Greek pension fund, turning to 1.88 billion in next year and more and more in following ones. Anyway, two years are in the European reality of acute extinguishing of problems just too far away. Finally, which country does not have a problem with its pension system? The Slovak one, for instant, has a hole accounting to more than one billion in 2014, so far covered from the budget. How will Greeks cover theirs is not clear yet, since they could not manage it with austerity measures. The head of the majority party SYRIZA began to [actively seek domestic allies](#) to fight the consolidation in his country.

France strikes the traditional summer wave of strikes. Railway men were joined by the air traffic controllers. Government socialists are sinking in economic failures, the main opposition party, UMP, is sinking into more and more [tangled financial case](#). Marine Le Pen has still wider scope for her, even though she did not followed Farage's example in the EP and did not form her own fraction.

Spaniards did announce [tax cuts](#) again, in an effort to ramp up the economy. Corporate tax will fall from 30% to 25% and so will do the bands of progressive tax on personal income in all bands. But the Spanish tabloids were more interested in the news about the [resignation](#) of euro-candidate of the Spanish communist party - United Left. Before upcoming (2015) national elections, medias noticed that, likewise about a half of then MEPs, he too joined the voluntary supplementary pension scheme which will increase his Euro-pension. It is just one of many ways how the MEPs can increase their list of already extensive benefits because this scheme is in 2/3 directly subsidized from the budget. Furthermore, it is designed as [SICAV](#) placed in Luxembourg (= small tax). Tax havens are but - but only if they do not serve the MPs! Apropos - in 2007 (since 2009 it is no longer open to new members) it ["served" also to 7](#) out of 14 Slovak MEPs.

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