Buy now! – Fiat Euro! 29/2013

Icelandic PM went to a promotional event. Greece lowers tax, Fitch lowers ratings. Piece of art to be built in Brussels.

„This wonderful titanium pot with a secret component can be bought only here and now!” Recently, the Czech and Slovak media have been filled with news about the manipulative practices of salespeople at promotional events. However, not everyone realises that a similar working style is used in politics as well. Not only during electoral campaigns, when politicians offer us overpriced, useless rubbish, but also among politicians themselves. For example, the Icelandic government has already claimed several times not to be interested in joining the EU. The Commission, on the other hand, keeps on reminding Iceland that the offer is still valid, but won’t be around forever. "The clock is ticking. It is in the interests of all that this decision is taken without further delay." Britain’s contemplated withdrawal from the EU has been a hot topic since quite a while. Now you can even make money out of it. The London-based think tank the Institute of Economic Affairs now runs a competition in developing the best plan for the eventual British exit. The prize is €100,000 and the judging panel is chaired by the former finance minister Baron Lawson, who openly supports the idea of Britain leaving the EU.

Meanwhile in the Iberian Peninsula, the situation is getting more dramatic in both Lisbon and Madrid. The Portuguese prime minister thought the government crisis to be over, but only to be corrected in his mistake by the president. The latter demands that a cross-party, parliament-wide agreement is reached, and wants to call an early election when Portugal returns to markets. This brought a new wave of uncertainty to the country and the interest income on Portugal’s bonds rose back to 7%. Its neighbour, the Spanish Prime Minister Rajoy continues facing allegations of secretly receiving dubious payments. He’s not intending to resign. Maybe he should give it another thought, since the PM’s seat is to remain hot for a while more. Eurostat has published the results of house price developments in Europe: the multi-year price fall in Spain doesn’t slow down, quite the contrary. In the first quarter of 2013, house prices in Spain fell 5.1% compared to the previous quarter, and a stunning 12.8% compared to the previous year, which is the worst result EU-wide. Spain is followed by Portugal with a 7.3% fall and by Holland with a 7.2% decrease in prices. Since the beginning of the crisis, prices have fallen by approximately 40% and the Spanish banks can get ready for another round of write-offs of losses suffered in mortgages.

We have already underwritten the Spanish bank bailout, but the local politicians always look for ways to transfer responsibility for their own bad decisions to someone else. The ECB with its inexhaustible supply of money seems to be an ideal target. This is the reason why, with a growing intensity, the Spanish add to the pressure aimed at the German doctrine of the ECB, striving to change the ECB’s policy. The central bank should, according to their vision, serve as the lender of last resort to national governments, true to the maxim “you’ll lend us whatever amount we spend”.

For example, they could spend it on motorways. With a 27% unemployment rate, Spain has the largest network of motorways in Europe, and the third largest in the world. Good infrastructure doesn’t seem to be enough of a remedy for economic troubles. Especially if it’s overpriced – the EU funds are for free after all. According to the findings of the European Court of Auditors, a kilometre of Spanish motorways costs twice as much as a kilometre of the German ones. The Auditors criticised not only the Spanish, but also the whole system of financing motorways from the EU funds, a system which results in financing motorways where express roads would suffice. The real traffic was lower than expected in 14 out of 19 scrutinised projects in individual member states. “Motorways should only be financed with EU money where there is a clear traffic need.”

Big things are happening in Greece. In a tight vote, the government has passed an important billwhich places 25,000 civil servants in a job transfer scheme, which might also mean their redundancy. This would be unpleasant to them, but not to all of them. For example, the redundancy package for less than 2,700 dismissed employees of the public TV is worth €80 million, which means almost €30,000 each. The number 25,000 seems high, but with a public administration of 700,000 employees, this only amounts to 4%. It seems to be worse in the private sector, where 1,000 jobs are lost every day. From the beginning of the crisis, the number of businesses has fallen by 160,000 and it’s expected that this year another 60,000 will be hit by entrepreneurial death.

There are rumours that Greeks need another €10 billion, which has been denied by official sources. Apparently they only need €4.6 billion, and it’s just a projection for the end of 2014. That’s also the date when Greece is supposed to return to markets. The Greek government begins to realise that a complete destruction of the private sector by means of raising taxes won’t be the right thing to do. Thus, for the first time from the beginning of the crisis it approved a tax cut, namely lowering the VAT rate on restaurant meals, making a radical drop from 23% to 13%. Supposedly, it’s only “on a trial basis” for now.

Also, the Fitch agency lowered France’s credit rating, which was followed shortly afterwards by downgrading the temporary bailout fund (EFSF) as well. The French have other forms of entertainment than following some rankings though. French officials have banned registering certain models of Mercedes. As posted in our previous updates, the company rejected to respect Brussels’ order to use a different kind of air-conditioning gas than up till now because it considers the proposed ‘green’ alternative dangerous.

This week, we have launched a micro-campaign titled “It is impossible to save!”, in which we’re trying to help the Slovak government to find ways to save money. Ideally, there should be a similar one at the European level. For example, the EU diplomatic corps will be better off by €23 million this year. According to the budget proposal for 2014, the European Parliament’s expenditures will increase by 1.7%, the spending on salaries of MEPs and EU officials should increase by 4.4%. Funding for European political parties will be raised by 9% to €100 million.

The most bizarre is the expense of €1.85 million for building an installation inside the House of European History. This will consist of an iron cage, in which suitcases, TVs, and other rubbish will be hanging to symbolise European history. The total cost of creation and equipment of this museum of “European identity”, serving to propagate the EU and the work of MEPs, will now reach €95 million.

Approximately 84 new Mercedes vehicles could be bought for the price of the installation. Including their anti-European air-conditioning.

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