The euro crisis is over. Again! – Fiat Euro! 33/2013

News releases about the end of the crisis come as regularly as sunrise. Greece has a surplus. Brussels has a whole lot of new ideas for spending money.

Have you heard the one about the crisis being over? News about economic growth are beginning to sound like old jokes told in a new way. In the second quarter of 2013, the euro zone grew by 0.3% of the GDP in contrast to the expected 0.2%, which motivated the Commissioner Olli Rehn to claim that “the data supported the EU’s response to the eurozone crisis!” Since several years, we’ve been in a situation where a GDP growth of even only a few tenths of a percent is celebrated almost as landing on the moon. Let our politicians enjoy themselves and let’s look at the rest of this week’s news from Europe.

Seemingly positive news arrived from Greece. The country has managed to achieve a primary budget surplus, meaning a surplus before paying the interests. However, the problem is that the sum of interest payment is gigantic, since the debt is gigantic too. A primary surplus would be good news if the country decided to go bankrupt and thus get rid of the interest payments. We, the creditors, wouldn’t be very pleased though. It is interesting that while in 2005 the public sector in Greece constituted 40% of the country’s economy, today it’s 46%. The tax burden of 39% GDP in 2005 increased to 45% of the GDP. A nice illustration of how much effort was put to increasing taxes and how much to cutting spending.

The Slovaks are helping to save the Greek budget too: also two Slovak investment groups engaged in the privatisation of a 33% share - worth 652 million - of the state lottery company OPAP. It’s one of the greatest successes in privatisation of Greek state assets, but this profit will only cover 0.2% of Greece’s debt worth 300 billion.

In Spain, real estate prices are continuously going downhill. The craziness caused by cheap credit is beautifully symbolised by the construction of the highest residential building in Europe. The skyscraper in Alicante was heightened from original 20 storeys by another 27. Amid enthusiasm, builders forgot about one fundamental thing: to include a sufficient capacity of elevators. The top apartments are thus currently suitable only for athletes.

In contrast to Spain, the Irish started to demolish unsuccessful property development projects some time ago. The country is successful at lowering the financial leverage in economy, meaning the overall level of indebtedness. The latter, however, remains huge - per capita the second highest in the EU after Luxembourg and by a large margin ahead of others.

		National Debt Figures (€millions)				Per Capita Debt Figures (€)			
Country	Population	Public Sector	Household	Business	Total	Public Sector	Household	Business	Total
Germany	81,843,809	2,166,278	1,542,000	1,610,000	5,318,278	26,468	18,841	19,672	64,981
France	65,397,912	1,833,810	1,148,216	2,163,146	5,145,172	28,041	17,557	33,077	78,675
Italy	60,850,782	1,988,658	710,135	1,279,984	3,978,777	32,681	11,670	21,035	65,386
Spain	46,196,277	883,873	843,945	1,398,476	3,126,294	19,133	18,269	30,272	67,674
Netherlands	16,730,348	427,515	769,336	584,036	1,780,887	25,553	45,984	34,909	106,447
Belgium	11,041,266	375,389	207,272	685,563	1,268,224	33,999	18,772	62,091	114,862
Austria	8,443,018	227,431	167,120	326,990	721,541	26,937	19,794	38,729	85,460
Ireland	4,495,351	192,461	176,861	327,411	696,733	42,813	39,343	72,833	154,990
Portugal	10,541,840	204,485	152,183	265,812	622,480	19,397	14,436	25,215	59,049
Greece	11,290,785	303,918	128,939	134,181	567,038	26,917	11,420	11,884	50,221
Finland	5,401,267	103,131	125,136	237,060	465,327	19,094	23,168	43,890	86,151
Luxembourg	524,853	9,232	24,005	126,045	159,282	17,590	45,737	240,153	303,480
Slovakia	5,404,322	37,245	117,370	191,255	345,869	6,892	21,718	35,389	63,999
Slovenia	2,055,496	19,189	44,641	72,742	136,573	9,336	21,718	35,389	66,443
Estonia	1,339,662	1,724	29,095	47,410	78,228	1,287	21,718	35,389	58,394
Cyprus	862,011	15,350	18,721	30,506	64,576	17,807	21,718	35,389	74,914
Malta	420,085	4,871	9,123	14,866	28,861	11,596	21,718	35,389	68,703
Eurozone	332,839,084	8,794,559	6,214,098	9,495,483	24,504,140	26,423	18,670	28,529	73,622

The crisis is not only a privilege of the eurozone and it manifests its presence in all countries. Britain has suffered an extensive bank crisis and a less extensive real estate bubble, which reflected itself in a 5.5% decline in real wages, the fourth highest decline in Europe after Greece, Portugal, and the Netherlands. Those who want to protect themselves from a decline in real wage should get employment as a public servant, at least in Britain. According to the Institute for Fiscal Studies, the average hourly salary in the private sector decreased from £15.1 to £13.6 between 2009 and 2011, while in the public sector it only went from £16.6 to £15.8. After all, the public sector doesn't have to worry about problems with customers or sales.

It is interesting to watch the development of the European bank sector. To fulfil the conditions of the Basel III agreement, banks have to get rid of €3.2 trillion of assets. Not to mention that they have already got rid of €2.9 trillion of assets in the last 15 months. They also have to raise new capital and thus they make cuts where they can. For example by lowering the number of branches. From 2008 until the end of 2012, 20,000 of them have been closed in Europe. Don't worry about the danger of an exhausting walk for a consumer loan or a credit card getting longer though, there are still 218,687 of them.

Brussels is the only place with no problems inventing new expenditures. Billions of public funds went into construction of renewable sources of energy, while the profitability of these investments is rather a metaphysical question. Instead of a top-down re-evaluation of expenditures, it is becoming common to talk about a necessity to subsidise nuclear energy with EU funds as well.

Another sum of money will go into real estate. The news about the real estate bubbles causing a crisis in several countries apparently haven't arrived to Brussels. With a modest €2 billion, the European Investment Bank wants to finance real estate projects in cities "that private lenders view as too risky". And imagine that private investors can dive into pretty risky projects when equipped with cheap money!

Emancipation has to be subsidised too. The Brussels' astrologists have calculated from the planetary positions of Venus and Mars that there are too few female professors for the humanity to be happy. Fortunately, this problem has a solution too, and its estimated cost is €6 million.

The question of Brussels' accumulation of competencies at the expense of member states has been opened after Britain and the Netherlands also in Germany by Angela Merkel, even though carefully for now. The question is whether anyone will listen to her after elections. The campaign is already underway and brave ideas and motions can often be heard. For example, the eurosceptic mini-party Alternative Für Deutschland says in the campaign that France should leave the eurozone. I dare to estimate that no one will listen to them after elections either. But you should be all ears!

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