

No rescue, but stimulus this time – Fiat Euro! 35/2013

Greek déjà vu. Empty Portuguese highways. French reform, which has never been carried out.

The topic of the third rescue package for Greece (which has been bailed out by bilateral loans in 2010 and by temporary ESFS in 2012) was stridently rejected as a nonsense by several European politicians just few weeks ago. Today everything is different and the third rescue package for Greece is going to be the topic of the day. In fact, Greece has a budget hole of approximately 10 billion euro for the years 2014-2015 even in spite of the currently flowing rescue programme. Everyone knows who is the bean counter of Europe, so everyone is looking at Germany. The finance minister Schäuble admitted that “something” is necessary to be done, but driven by the upcoming elections he still persuades the German elector that it **will not be** such an expensive rescue plan as were those before.

The finance minister of Netherlands thinks that it is necessary to do “something” as well. Only his Austrian counterpart Maria Fekter says, that the third package is “**not in discussion**” - just as if there were someone in Brussels asking these tiny countries for their opinion. Even Angela is becoming **more harsh** in the context of the campaign: “Greece should never have been allowed into the euro!” The head of eurosceptic party AfD **asked the president** to order the release of euro crisis development scenarios, which have been drawn up for the government. The government states, that the current way of solving the crisis is the only possible one, but halts to present any facts supporting this statement.

Greeks have a clear opinion on the problem. Their finance minister Yannis Stournaras already **defined the package specifically**. He thinks that Greece should get the money under no conditions of any additional austerity measures, because this is not the case of rescue package, but an economic growth support package. Roughly one third of the 10 billion should flow through EU structural funds, more accurately in the form of **lower co-financing**. Greece has already a co-financing rate of only 5%, which they would like to extend to the financial framework of 2014-2020 (initial rate was 30%, in Slovakia it is **27%**). Greek unemployed will thus have an opportunity to walk on cheaper euro-plazas.

Portuguese have an inauspicious experiences with the EU funds. Similarly to Spanish, they have begun building highways in all directions thanks to the inflow of cheap money. The length of **highways per capita** is 60% higher than in Germany, 100% higher compared to the EU average and 300% higher than in Britain. There are even some places where two highways are running collaterally next to each other in long sections. Just through co-financing, Portuguese paid for this luxury 21,5 billion euro since 1986, which makes approximately 40 000 euro per four-person family. And what’s the outcome? People have no money to drive on the highways. The amount of traffic jams in the country decreased by 68% just during the initial three months. Partly thanks to the high toll charges, which are often higher than 20 euro for a 300 kilometers journey. Portuguese government, like other southern European governments, seeks for any possibilities, how to obtain funds to achieve its goals. Similarly to Greece and Cyprus, they have also introduced so called “**Golden Visa**”, which allows wealthy foreign real-estate investors to qualify for residency. Spain is planning a similar scheme as well.

The situation is funny in Italy as usually. Berlusconi’s **party announced**, that it will not stay in the government in the case of his expulsion from parliament (which is a part of the sentence levied to Berlusconi for tax evasions). Just not to make it easy, the party will do the same if the Prime Minister Letta won’t abolish the higher housing tax. Meanwhile, Italian entrepreneurs are losing their patience. The country was thrilled by the case of electrical components factory owner who **secretly moved** his factory to Poland, while staff were on holiday. According to him, it was the only chance to save the company, which has been built up by his grandfather half a century ago. If he did not do it in secret, allegedly his property would have been confiscated. An Italian employee with net

salary 1000 euro cost him 2500 euro per month in real terms. The company has reported losses since 2008. Italian court examines the circumstances of the move.

France has a low productivity and high labor prices problem as well. In addition, it has a problem with pension system, which is set to generate huge debts (like many other in Europe). Hollande's magnificent reform has [changed into a mockery](#). The retirement age hasn't been increased by two years, but remains on the same position for 60 years. Minimal period of contribution years will be changed from 40,5 to 41,5, but even that will be imposed gradually until the year 2015 and many professions have exceptions. The only additional measure is the levy increase by 0,3 percentage points, which won't benefit extremely expensive manpower. More are losing their patience with the French. Commissioner Oli Rehn said, that tax levels in France had reached a "[fateful point](#)" and that the budgetary discipline must come from a reduction in public spending if the country doesn't want to destroy growth.

Iceland has definitely drawn down the EU accession application after [dissolving the negotiation committee](#). Croats didn't even get to heat up in EU and they already have a problem. Only three days before the accession, Croatia's parliament adopted amendments limiting the application of the European Arrest Warrant and they are not willing to revoke it back. The new law now exempts crimes allegedly committed before 2002. Some [observers say](#), that this was done to protect a former communist intelligence official who assassinated a Yugoslav defector in 1983 in Germany.

Crisis often brings tragicomic situations. Do you remember the case of the German-born man who stole the list of German bank account owners in Switzerland and sold it for 1,1 million euro to the German government? Since he committed a crime, the Swiss court sentenced him to three years in prison. But this is the best part of the story: the man used most of the money to [pay off taxes](#) he owed in Germany. And that's not all. The taxes he owed, were calculated according to the list that he himself handed over!

As the proverb says: the chickens have come home to roost.

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