

The end of siesta – Fiat Euro! 37/2012

The Hot Wednesday wasn't that hot after all. Greece denies need for the third bailout package. Spaniards don't want any bailouts either. Rompuy has a plan. Americans don't want to be left behind.

The Judgment Day came, but it didn't bring any shocking surprises. Bailout mechanism is [not against the Constitution in Germany](#) and the parliament can ratify it. The opponents got a little gift at least, the court forbade automatic ESM increasing over the initial capacity, which was part of the original agreement. Any loans or capacity increase has to be approved by Bundestag. However, Bundestag has talked tough but acted little so far.



When it comes to the issue of the restart of [near-junk sovereign bonds](#) purchases by ECB the German politicians are not united either. While the German representative in ECB Jens Weidmann doesn't hide his opposition against this program, [his Prime Minister defends ECB](#) as an

independent and strong institution. According to her, if there are right conditions set, the bond buying shouldn't be a problem.

Conditions should not only be set, but also followed. At the beginning of October fulfilling of the Greek conditions will be discussed. Experts from the International Monetary Fund are already suggesting that [the third bailout package](#) will be necessary for Greece. [Greece definitely rejects such news](#), saying the „third time lucky“ won't apply to them. They try to retaliate and established a [commission](#) which is supposed to determine how much money the Germans owe Greece for the damage done in the World War II.

Unfortunately Hellens didn't learn enough from the war. How else would you explain that the openly neo-Nazi Golden Dawn would be the [third strongest party in Greece](#) in case of elections, according to polls? Party's pastimes include beating up immigrants and organizing charity events such as Food for Greeks or [Blood for Greeks](#). They seem to forget that Greeks themselves are slowly turning into a nation of immigrants, who are doing jobs abroad similar to what [Bangladeshis do in their country](#).

To be fair, they are trying to save somewhere, for example by further [increasing the retirement age](#) or modifying the income tax. What is it worth if the reforms were supposed to improve the business environment and as a result lead to increasing competitiveness of the country? According to World Economic Forum Greece fell 13 places to the 96th position out of 144 countries. Privatizing is not successful at all; the government got only EUR 1.8 billion out of selling property. Now it is trying to rent out [40 selected islands](#) out of all 6000, but it won't be enough for saving the country either. The only thing which will help is reduction of the state and turning the Greek superbureaucracy into more efficient one, but this is a [painful solution which the ruling parties don't want to use](#).

The future of the Eurozone is still being decided in Spain. In October there will be regional elections. After [1,5 million crowd of Catalans](#) showed what they think of the central government, Prime Minister Rajoy will surely consider putting pressure on the undisciplined regions, which go bankrupt one after another. Sharp decline of interest rates on Spanish bonds thanks to the announced bond buying program gave him courage and as Don Quixote he [disclaims any condition imposed from outside](#). Despite the need to help the failing regions, leaky state budget and the melting banking system. Spain is sinking deeper and deeper, house prices fell by [12% on yearly basis in August](#).

Strong language aside, for most of us it is clear that Spain won't last long on its own. In connection with the last meeting of Ecofin the rumour had it that a record [bailout package in sum of EUR 300 billion](#) was being prepared. ECB would be happy to see IMF surveillance; who will contribute and how much remains an open question. At the end of September Spaniards will present the budget for the year 2013 and the scope of necessary banking sector recapitalization (which already has a promise of a billion EUR gift from Slovakia). These numbers will be a hint if the help will be needed already today or tomorrow.

The remaining countries woke up from the summer slumber as well. [Portugal was granted an exemption](#) and can postpone some of the austerity actions by a year. The tendency to grant exemptions and exceptions from exemptions in otherwise very strict conditions continues.

I believe that we will live to a day when someone will take some rules seriously.



Also the Irish saw a chance. They recapitalized their banks with their own taxpayers' money (similarly to what Slovaks did 12 years ago), but when Spaniards showed them that banks can be saved also with others' money, they requested that the [bailout mechanism would cover also their recapitalization](#), preferably all 31 billion.

The French are excited by the fact that the richest citizen Bernard Arnault (worth EUR 20 billion) [requested Belgian citizenship](#). He says it is not because of 75% income tax, which he would have to pay. Magazine Libération awarded him a front-page title „Get lost, you rich jerk!“. Wish the rich didn't take it seriously...

On the contrary, Dutch [did get excited by the elections](#). Pro-European parties won easily and the „bad boy“ Wilders recorded considerable loss in spite of his Greek marketing „bad EU, bad austerity!“.

Apart from above mentioned snacks EU politicians prepared also the banking union proposal. Last year's banking stress tests were passed also by Bankia, which had to be saved a couple of months later, so that's says all about the efficiency. Surprising activity was also recorded by our President of the EU – he presented [another vision of saving the Eurozone](#). He was talking about coordinated debt issuance, bigger powers of Brussels and even a special parliamentary sessions only for the Eurozone members. Second-grade EU members will be deprived of this additional free cups of coffee and cookies. By the way, do you know that Sweden is [lowering its corporate income tax](#)? If only this news could reach also our politicians, for whom higher taxes are a mantra for consolidating dysfunctional public finances.

Barroso knows that what he cooked might not taste well so he is thinking where to find a nice retirement place. He eyes the position of the President of Portugal, after all he [used to build a better tomorrow there as a passionate young Maoist](#). [Polish Prime Minister Donald Tusk](#) is said to be the crown prince of the Commission.

Our transatlantic friends don't want to be left behind, so FED announced the [third round of quantitative easing](#). FED will purchase mortgage securities for a monthly sum of \$40 billion until the unemployment decreases. Several former and current members of FED admit that so far the rounds of quantitative easing [did more harm than good](#). Among other effects they increase social inequalities, because they help the stock owners at the expense of the others. But nothing can stand in a way of Bernanke's steam roller.

EU is looking for various ways to fight against the down mood. For example by giving a movie grant to a Czech adult films legend, Robert Rosenberg. If you are under 18, [don't click!](#)

Have a nice weekend even when not receiving a grant

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