

# Crisis goes to school – Fiat Euro! 37/2013

*Wrong age. One, or two packages for Greece? Don't steal jobs from Netherlands!*

We will celebrate the five-year anniversary of Lehman Brothers fall this Sunday. Media consider it as the beginning of the crisis. But we can deem it to be 6 years old and send it to school without any doubts. Northern Rock bank fell already in the September of 2007. And the world financial system had serious problems yet two months before that, as the Bear Sterns admitted billion-worth losses and the biggest French bank BNP Paribas reported liquidity problems. That time, ECB poured 155 billion euro to the system within two August days. How does the situation look like after six years? Greece has received two bailouts and the third one is coming. Or the third and the fourth one? ECB governing council member Luc Coen said, that Greece will need [help twice](#). The country has been successful to narrow the primary budget deficit, but there are issues emerging in all directions. For instance, the main pension fund has increased its arrears by two thirds to 8 billion euro since 2010. The pension system is facing serious problems and the future retirees might have only minimum monthly pension of 400 euro. Doesn't it remind you something?

The Union is seeking for any possibilities how to pass more funds to the country without making (not only) German voters even more upset. One of those possibilities, which is being considered, is to allow the spending of the forfeited structural funds from the 2000-2006 period of approximately 1.14 billion euro.

Cyprus is being threatened by the Greek scenario. [Moody's agency has warned](#), that the country is endangered by major restructurings of its debts, or as one might say - bankruptcy. The public debt of Cyprus is expected to reach staggering 140 percent of GDP by 2016.

Attention has been drawn to the hottest applicant for the ESM support, Slovenia. Next Friday, finance ministers of the member states are going to discuss the situation in this little country, whose state banks are lacking capital of 7.5 billion euro, which equals 21% of the country's GDP.

In France, the government has published an unofficial budget proposal for the year 2014. The projected deficit reaches 4.1% in 2013 and 3.6% in 2014. The initial deficit ceilings proposed by the Commission were 3.7% and 2.9%. Also the growth estimate for 2014 has dropped. Similarly to France, [Portugal has announced](#) 4.5% deficit for 2014 instead of the projected 4% one. And the fact is, that the year of 2014 is still few months away. The French response has appeared in the form of 1 billion euro bigger budget cuts and there's even a discussion about lowering corporate tax rates [from 33.3% to 30%](#).

In this situation, the European Commission head Jose Manuel Barroso gave his probably last assessment of the Union. In contrast to the previous ones, he didn't outline any big vision of the future and his speech [can be summerized as](#): „We have survived and that's the biggest success.“ Well, he has survived and he can look forward to the Brussels' pension in a villa of some quiet Portuguese cove. But this is not the ending for the rest of us.

Some of the Brussels' plans have suffered losses during the last weeks and months. A legal opinion of the European Council has [ruled the current set up](#) of the Financial Transaction Tax as not compatible with the current EU treaties, which means a problem for its proponents. The OMT program of the bond purchases by the ECB is again under the fire of German economists. [The open appeal of 136 of them](#) considers the program unlawful and economically amiss. Also the commissioners' chairs are in danger. They are currently 28 and Brussels will have to make a creative contest of thinking up the position name for the 29th. Cameron and Merkel have [drawn up plans](#) to reduce the number of commissioners to between six and twelve. A basis of the reform should be prepared in 2014.

Even Brussels retreats in some cases. Not only the independent, but also the European researches claim, that technical crops used as a biofuel significantly [hike the food prices up](#). No wonder when rapeseed plants occupy more than 10% of Slovak agricultural area, while vegetables occupy [less than 0.5 %](#) due to the European regulations.

Not to mention, that it's questionable from the CO2 production point of view as well. [The new proposal](#) limits the share of biofuels in transport to 6%, so the target of having 10% of transport energy coming from renewable sources will have to be reached by faster expansion of electric cars.

Also the general principles of the EU are under fire, particularly the mobility rights. Dutch politicians' criticism of the Eastern European migrants inflow on their labour market is [becoming more loud](#). On the contrary to Germans, they consider people willing to work as a burden.

We have a European fund intended to rescue state budgets and maybe we will have a European military fund. Spain, Portugal and Italy have proposed the establishing of a defense fund, which should be the response to the European economic problems. Isn't it curious, that all kinds of mutual packages are mostly promoted by the countries with the emptiest pockets?

You can't think this up, it's France! French millionaire tax, which seizes three thirds of the earnings of high income individuals (and already expelled some of those from the country), will be applied [for only two years](#). Some of the rich ones fight it alone. The football federation has claimed that an exception from the tax for the football players is within reach. Ignore the industrialists and let them flee to the other side of the world. Who needs a production when we want to rescue French football!

There will be other game being played in our country since Monday – the receipt lottery. So set up everything and get ready to strike the crisis back with a crushing hit.

**Martin Vlachynský**

**12.9.2013**

**Translated by Michal Kollár**