New members of the club – Fiat Euro! 38/2013

A bit different anniversary. Club of the sinking ones has new members. The French are shouting „that's enough"!

We celebrated the fifth anniversary of the Lehman Brothers fall on 15. of September. Swedes had another celebration just a day before that – on 14. September 2013 they have rejected the joining of euro in a referendum. As it has been remarked by the director of an independent think-tank Open Europe Mats Persson: „the public can opt for perfectly rational and responsible outcomes that would not occur if politicians were left to their own devices"

So far, the eurozone's patching of the holes continues. We have two rescue funds, the ECB equipped by intervention instruments and the only thing we need is a banking union. These days its second pillar, the so-called Single Resolution Mechanism is being built. You can imagine it as a fund, in which the responsible banks and their clients pool money for an eventual rescue of the capricious banks. The problem would be in the EU treaties, whose changes would have been lengthy. Germans have reported, that they've found a legal way how to complete the mechanism without changing the existing law.

Meanwhile, the debt storm still rages. The Commission has decided to extend the Spanish bank bailout with another „associated measures" in the case, that Spaniards won't reach the deficit of 6.5% to GDP. We will see what the measures will be. Not only southern Europe does not fulfil the goals. Other members have joined the club of worsened debt indicators. Sometimes it's called Titanic Club, but Costa Concordia Club would fit better. The problem was not caused by a wandering iceberg, but irresponsible captains performing risky manoeuvres for other people's money. Netherlands predicts the deficit of 2014 reaching 3.3% of GDP, which misses the target as well. Finns will probably cross the limit on public debt of 60 percent to GDP for the first time. Unfortunately, they will cross it over the 60%, which means breaching the Stability and Growth Pact criteria. Next year, the French debt will be in touch to a record of 2 trillion euro, which would catapult them to the elite club of Italy and Germany. At the same time, they will be much closer to the Club 100 membership as the relative debt will exceed 95% of GDP.

No wonder, that there are more and more people raising the alarm in France. State auditor has urgedthe government, that it should place more importance on budget cuts rather than tax increases. The country is allegedly in risk of a possible rise in interest rates as it relies on a short-term financing. Sarkozy's and Hollande's governments have raised the taxes by 60 billion euro since 2011 (the so-called "austerity measures"). It has been admitted also by the president in television interview: „That's a lot – that's to say, too much."

It's too much also for the French car manufacturers. August car sales in Europe dropped to thelowest value since the records began in 1990. While Renault did well, the second biggest European automotive company PSA has lost 18% in the region, which may have consequences for the employees of its Trnava factory, they will have more free time than they would like to have. Whereas powerful PSA has still chances to be rescued by French (?) taxpayers, smaller companies are no that lucky.

Last week I wrote about the proposal to create European defence fund, this week Italy came up with a great idea of doubling the European budget. They simply can't sleep thinking about another available bunch of other people's money.

Even phlegmatics are getting mad. For example Herman Van Rompuy - the EU president in case that you don't know it – got irritated by the European Court of Auditors. Auditors have refused to sign off the European budget for the consecutive 18 years (!!) because of the wasteful spending and fraud concerns. Rompuy thinks that auditors should aim to improve the EU image rather than criticize Brussels. He said that it's important to show

„the whole picture with all its nuances.“ In times of crisis, it is vital to foster confidence and „convince Europeans and demonstrate clearly that Europe is not the source of problems, but the solution.“ His Europe is a synonymous with Brussels. And his statements seem to be copied from Atlas Shrugged.

The crisis continues, but there’s still time to play with details in Brussels. Now they have come up with an idea to ban country of origin flags on meat packs. Only name of the member state will be allowed. The point of a regulation like this remains mysterious to common people. But it’s yet clear, that it will drive more British towards euroscepticism, as the islanders are proud of their lamb and mutton.

Sometimes even a little regulation may cause big issues. One of those, which has been imposed in 80‘, says that one has to have a 15 minute break after two hour long computer work due to health reasons. In INESS, we have solved the problem by assembling a pull up bar into the door frame – without the help of any regulation. But the break regulation feasibility is questionable. Greeks havesolved it cleverly. They summed up the break periods and they granted a six days long additional vacation to the people intensively working with a computer. The fact is, that any health aspect actually disappears completely if the vacation is not all spent in a gym. Low competitiveness of the Greek employees is the only outcome of the regulation. No wonder that the country struggles.

The Prime Minister Antonis Samaras stated, that the pre-crisis living standards might recover in six years at the earliest. That means 12 lost years for Greece, according to an optimistic forecast of a ruling politician.

You don’t lose a single day!

Martin Vlachynský

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