

## Open wallets – Fiat Euro! 40/2012

*Finally we are sending ESM our money. Spain is waiting for a miracle. Greeks saved money for karts. Iranians made a bomb – inflationary bomb! Similar bomb is predicted by FED's models.*



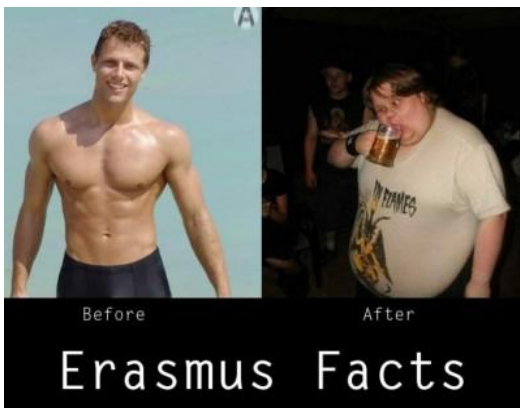
So we finally have it. After months of negotiations, voting and ruling ESM – the permanent bailout mechanism – is finally here. It is the first time when Slovakia provided real money for saving the euro, [to be specific EUR 264 million](#). As the saying goes, don't put off for tomorrow what you can do today so the payment of whole cash input (659 million for Slovakia) will have to be paid within less than three years, instead of the earlier agreed five. Bailout mechanism can offer only [6.6 times its cash as a loan](#). If the original system of five instalments remained, initial capacity of the bailout mechanism would be EUR 107 billion, so all of it would virtually go to Spain where banks are promised to get 100 billion bailout. Even with the full capacity ESM might not be enough, that's why Eurozone's leaders are frantically coming up with various improvements. Lately they revived an idea of [insuring first 20-30% of the cash value of Spanish bonds](#). The idea is at a stage of intensive thoughts. They don't have much time though. The ink hasn't dried yet on the Spanish budget and the predictions concerning its deficit are worsening already, it is supposed to [reach 7.4% of GDP](#) in the year 2012. They are still afraid of bailout as much as the devil is afraid of the cross, because it could bring about conditions, which would break government's neck. Especially Finns are emphasizing that [without proper collateral](#) they won't pay a cent. In Spain not much changed last week, things keep going downhill. A representative of the ruling party and the Deputy President of the European Parliament suggested that in case of referendum concerning independence in Catalonia central government should send [military policy](#) to stop such activities. For now on it is still Spanish police, soon there will be also [EU police](#) at disposal to hinder such anti-integration actions.

Radical reforms or rather a miracle? Peripheries have bailout mechanism at their disposal, so they can allow themselves to wait for the latter one. In Spain this miracle is supposed to be provided by building a monster casino by an American gambling tycoon, which should [create 250 000 jobs](#). Greeks suddenly discovered that under Crete there are [gas resources](#) worth 600 billion of theoretical euro. Better they start already drilling, as cash in the Greek budget treasury will last [only until November](#). What in this case? Maybe Greece will manage to default for a second time in one year. Greeks are looking for less painful alternative, for example postponing paying back their debt, which is held by taxpayers in the ECB. Draghi plays a tough guy and says that he [won't postpone anything](#). At the end Troika will close its eyes a bit and send more money even though Greece won't fulfil memorandum.

Greece is saving. It saved so much that it can afford a [new racing court](#), for which the government will give no less than 30 million. Citizens stressed by the crisis and attacks of financial sharks will be able to relax a bit, for example while watching World Karting Championship. Maybe the sponsors of the Greek government, namely German tourists, will also come. Their legendary and subsidized by the state Nurburgring racing track is in a bankruptcy [filling](#).

The level of unpaid loans in Greek economy reached [record 25%](#). To put it another way, every fourth loan in Greece is behind with payments three or more months. The stench of dying Greek banks made their zombie mothers from France [close their nose](#) as well, they decided to sell their local branches.

Did you hear the bedtime story about European banking union forcing banks to be more responsible? We are about to employ a goat as a gardener. Bank for International Settlements, which is the world banking super supervisor, criticized the European Union that it [doesn't fulfil the regulations](#), agreed in the conditions of Basel III. What is the problem specifically? EU enables banks to evaluate some of the sovereign bonds held in portfolios as non-risk capital of the highest quality, even though in reality they should be accounted as "toilet inventory". It might be because sovereign bonds of the EU countries are issued, well, by the EU governments. Will we shoot our own leg?



Please rise your hand who still has money in Europe. The EU itself doesn't have money anymore. In its budget there is maybe EUR 10 billion. Budget can't have deficit, the hole will have to be paid by the member states. The result is that for example Erasmus, programme of half a year paid holidays for students, [doesn't have any money](#) and stopped paying invoices of the member states. It's similar with European Social Fund or structural funds. What are the predictions for the future? IMF is predicting a [lost decade](#) for the world; EU is on a way to experience more of these lost decades.

In other parts of the world there are problems as well. Iran produced a bomb – an inflationary bomb. Not all the Zimbabwean dollars have been flushed down the toilet yet and the world can already write down another example of hyperinflation. Iranian rial [lost 57% of its value](#) within three months and its fall is accelerating.



Inflationary bomb [appeared also in the offices of FED](#). To be more specific, it came up as a result of the DSGE models, which FED is using for shaping the economy. As they admit themselves, these models, which govern policy actions in dollar world's economy, are so inconclusive that their catastrophic outcome doesn't worry anyone.

Luckily American economists Trey Parker and Matt Stone discovered some time ago new econometric method, which can fully replace current models, while bringing radical cuts in the administration costs. You can find its basic principles in this [video](#), for your convenience with Turkish subtitles.

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