

An Obsolete Idea – Fiat Euro! 41/2014

What are the outcomes of hearings?

The interrogation of new EU Commissioners is almost over. And believe me, [it was anything but boring](#). Lord Hill caused a huge deal of discussion, as the one to supervise the financial markets and defending the interests of the City, according to many. Great Britain is with one foot out of the Union and the ejection of its Commissioner could be the push for the second one. Therefore, the MPs tried to scale back his portfolio, but even this attempt has failed.

The Hungarian representative, Tibor Navracscs also survived, although he was taken away his original portfolio for Education, Culture and Youth. The Orbanian Hungary is more and more filled with various "historical" uniforms and Navracscs would simply not make a suitable representative for educational issues. He will probably manage the traffic one. Which was, if you recall, initially assigned to Slovakia. However, it seems that Maroš Šefčovič will become the Vice President for Energy Union.

The situation was not easy either for Czech deputy Věra Jourová, who could not explain to MPs what exactly will she pursue as the Commissioner for Justice, Consumers and Gender Equality. However, in the end they could agreed that no one knows exactly.

On the other hand, former PM of Slovenia, Alenka Bratušek (on the picture above) did not make the list as the Vice President for Energy Union. Her very unconvincing performance was followed by the 112:13 vote against her. It is worth noting though, that Bratušek nominated herself during the last days in power as the PM. Well, it would be wise to arrange the retirement in different way. Who knows if Juncker knew what he was doing while accepting her for such a position?

In addition to above described circus, a possible alternative is a small mixing of functions, even though, the new Commission has already a solid core. The new Commissioner for Economy and the former French Finance Minister in one person - Moscovici - will not be kicked out by anyone in this stage, although, he causes a severe headache to the part of Brussels. In order to make it difficult for this proponent of fiscal irresponsibility, the Commission is allegedly getting ready to [reject French budget](#). Just to refresh our memory - France is just about to violate the 3% deficit rule [until 2017](#).

But the country is not left alone in its problems. Italian Prime Minister, Renzi, came to help: "I am on Holland's side. No one should deal with other countries as with the schoolers." That's right, it would be very unfair against the schoolers. They usually do not bear the debt in the size of their annual production. New French Finance Minister, Sapin, requires a change of doctrine: "Some are still operating according to the logic of the past, when the threat of disintegration of the euro was real." PM Manuel Valls also joined the discussion: "Moderation is technically impossible. That would get France in the knees."

Not everyone was convinced, though. The sharpest [comment](#) came from the new Finnish PM, Alexander Stubb: "We must abandon the illusion about public sector creating jobs. It is an obsolete idea to think that we can reach

the growth by pouring billions of euros to economy." At the same time, German government rejected a proposal of the South countries to use the bailout fund and subsidize the economy. According to Merkel, bailout fund is supposed to be used only in emergencies. Unfortunately, she already succumbed to the pressure couple of times in the past, otherwise the bailout fund would not even exist. But she **flushed down** Holland in a similar way - requests to raise funds for subsidizing the projects against the youth unemployment by 20 billion euros.

The situation is bad with exports, but without them it is even worse. Despite the historically low unemployment, Germany is joining the club of countries reporting unpleasant news. In August, the export **fell by 5.8%** per month, what is the largest decline since 2009. Not that long ago, French lamented about "too big" exports of greedy Germans but now, the Europe trembles at the thought that Germany will lose its steam.

The ECB **is muddling its weapons**. Bank clarified the details about the upcoming purchase of asset-backed securities. The ECB will buy also "junk" assets from countries without investment rating, such as Greece and Cyprus. The process should begin this month already. The volume should be adjusted according to "as needed" requirements but it is estimated that about one-fifth of the prepared trillion euros will be used during the two-year program. The ECB is gradually converting into so-called bad bank or even the wastebasket where other European banks can discard their problematic assets.

Germany **is criticizing the ECB's decisions**. Bundesbank chief Weidmann warned that the ECB will get stuck in between poorly secured assets and inflated receivables. Former Chief of Economy in ECB, Stark, called it "the act of desperation" - instead of showing the determination, the bank is subject to political pressure from France and Italy.

In the shadow of these events, the statement of David Cameron was almost ignored. In addition to **reducing the income tax** for individuals (the limit of the upper rate will move upwards, as well as the non-taxable minimum), he repeated his requirements for regulation of internal migration of EU citizens - one of the pillars of the EU.

We should not forget that not only the euro, but also CAP is the gardener in the EU. The Common Agricultural Policy is boulder no one wants to roll away. Although it directly concerns only 2% of the EU population, it absorbs 40% of its budget. And many sectors it covers are functioning as in the Bolshevik era - on the principles of quotas and purchase prices. A few days ago, eight Member States were imposed **an aggregate fine** of 409 million euros for overproduction of milk in 2013/2014 period.

And when talking about farming, a handful of Brussels regulations is saying goodbye to one crop. French lavender growers have decided to fight against **mandatory labeling** of this plant as the hazardous chemical - what, as reported, can bring them to ruin.

So while everything is labelled, I overran the officials with warning: if you sleep with a lavender pouch under your pillow, do not eat it!

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