

# Leaky buckets – Fiat Euro! 45/2013

*Unpleasant start for Croatia. Tithes are coming back. Little house for too many bankers.*

Sometimes, we see Croatia only as a big beach resort. But the newest EU member is concerned about non-vacation topics like the economic crisis as well. The country's economy hasn't grown since 2008, the unemployment rate is approaching 20% and the debt is rising sharply. Since 2008 it has soared from 30% to 55% of the GDP. This year, the budget deficit will probably reach 3.5% while prediction for the next year is 5.5%.

Croatia will [need to borrow 5.7 billion euro](#) next year, which makes an eighth of the economy. Given the worsening fiscal situation, rising yields on the government bonds might force the Croats to seek assistance from the IMF.

But the media have preferred to focus on [blaming Germans](#) for consuming too little and exporting too much to the PIIGS group countries. Besides the inaccuracy of the statement (Germany's balance of trade with the eurozone shows a [negative figure](#) for 2013 so far) the whole argument is upside down. Germany's economic performance is not a problem, but a cure for the eurozone. It is not the German export which pushes the countries of the PIIGS group to the ground, but the incompetence of the politicians to set up a favourable economic climate.

However, it is not perfect in Germany either. The Union urges Berlin to [abolish the power-fee waivers](#) which free large companies from paying the full support the country's clean energy expansion. Germany is a leader in the renewable energy sector, but only at the expense of 20 billion euro worth yearly subsidies paid by the citizens. As large companies have successfully lobbied for the power-fee waivers, the expenditures have been charged on small companies and households. Repeal of the privileges might lead to lower electricity bills for the residents as well as to a million jobs loss according to pessimistic scenarios. Adding the internal and external pressures on introduction of the universal minimum wage, it is going to gloom over the last bastion of the low unemployment.

Uncovered Greek budget gap predictions for 2014 have been softened to [0.5 – 1.2 billion euro](#). The government is confident to cover the figure without any further help. Meanwhile, the citizens held a general strike following a long hiatus. They showed their anger against the government's replacing of an [emergency property tax](#) with a permanent levy. That will affect also farmers who have been historically protected against such levies.

Public budgets are like leaky buckets to which governments are constantly trying to pour more water with hope of saving some. The IMF has supported the idea of a [one-off property tax](#) (to add the right social facet, governments usually use the term wealth tax). According to the calculations of the IMF, one-time 10% wealth levy could solve the problems of banks and politicians. I guess you all know the quote about permanency of temporary government measures.

„Leaky buckets“ is not just an empty metaphor. Take the EU budget as an example. The European Court of Auditors has [revealed spending errors](#) in the EU budget for 19th year in a row. Those were worth 6 billion euro in 2012. Furthermore, MEP Inge Gräßle accused the Commission of pushing the Court to modify the unfavorable results. So they have allegedly omitted half of the errors in the structural funds spending.

The new ECB building is another example. Last week we have informed you, that the building had got gradually more expensive from 5000 to 800, 1000 and now to 1200 million euro. Yet it is not only extremely expensive (the construction budget is as big as it would cost renting offices in Bratislava for [more than 150 years](#)), but also too small! As the ECB is going to take over supervision for all eurozone banks, it will need 1000 new members of staff. But the new building [has not enough room](#) for them, so they will have to look elsewhere for a place to work.

Banks are a worry of the whole Europe. In spite of a massive amount of money which they have received from the ECB, they still lend less than in the pre-crisis period. There are many reasons for that. Besides the worsening position of entrepreneurs in the member countries and their almost game-animal status, new global capital rules are playing a significant role. Banks are forced to hold less risky assets, coincidentally considered by policy makers to be in the form of government bonds. Therefore the banks invest more in [government bonds and cut corporate lending](#).

Europe is going to vote for a new president of the Commission. Don't worry, the trip to the Votic room won't spoil your lunch as the most important EU representative is not elected by citizens but by euro-deputies. Barroso is going to pack his bags in one year and the speculations about his successor have just emerged. Martin Schulz, President of the Parliament is the official candidate ([well known in Slovakia too](#)), while other unofficial candidates are Alexis Tsipras, head of the radical left-wing SYRIZA and [Enda Kenny](#), reputed favorite of the British.

How many laws are implemented by our parliament and how many are forced by Brussels? It needs an effort to count it. Swedes have figured up, that [42% of their laws](#) were implemented by Brussels in 2012.

Do you know how the Brussels' capitalism looks like? [Somewhat like this](#). Competitors of your company are much weaker, for which they sue you at court. The Commission lets you punish yourself. Then it asks the competitors whether the punishment was tough enough.

Funny, such as the rest of your week!

**Martin Vlachynský**

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**Michal Kollár**