

A bubble in Germany – Fiat Euro! 46/2013

The debt crisis has long tentacles. Left-wing criticism of high taxes. Victorious battles of the Venezuelan army.

Population is aging, social system is under pressure, banks are going weak at the knees and national budgets are no more full as they were during the bubble times of 2002-2007. Nobody can avoid budget issues, neither the strongest and wealthiest ones.

Vienna was ambitious to press the budget deficit down to zero in 2016. After the last elections, politicians are preparing for a different scenario. According to the newest recalculations, the cumulative budget deficit of the 2013-2017 period is expected [to reach 40 billion euro](#). Bad health and an urgent need for a billion euro of a formerly rescued (and nationalized) Hypo Alpe Adria bank is one of the reasons of the budget hole.

As a reminder of the not-yet-ended crisis, the ECB has lowered the interest rates and remains ready to [cut it further](#). Thus it uses the same medicine since 2008 expecting that it will work. Germany is a bit scared of this move. They are concerned about a potentiality of too low interest rates to create asset bubbles like in the end of the century.

The Czech National Bank has prepared an even bigger surprise. There were rumors of the upcoming first intervention on the foreign exchange market for a long time. But the [intensity surprised](#) the most, as the CNB knocked the crown down (and value of people's savings) by almost 5 percent. The fact is, that Czech Republic has already a positive trade balance of around 10%. The intervention is alleged to „[stimulate people's spending](#)“. Because greedy people save too much and embitter life of the politicians.

[Mercantilist logic](#) is still alive in Europe. The Commission started to [examine Germany's](#) high trade surplus. No matter, that the surplus has not been created via trade with the eurozone, where Germany shows a trade deficit. As the CSU General Secretary Alexander Dobrindt said: „you don't strengthen Europe by weakening Germany.“ Actually, when will the Commission review Greece or Spain for „[an import obsession](#)“?

But the French were criticized as well and from an unexpected person. You know that something's really wrong when a former student leader of a Maoist party and the current President of the [Commission says](#), that „France is by far the country where companies pay the highest taxes and that's a problem for growth and employment.“ Standard & Poor's has downgraded France's credit rating to AA on Friday. The Government has stepped back from imposing the new tax on large vehicles, which raised a big wave protests and postponed its implementation by half a year.

Also the Spanish have been innovative in the area of taxes. In the August they have de facto [taxed the sun](#) as they have ordered to hook home solar panels up to the national grid to be metered and taxed. Now they have set up a solar police team which may bust your door and search for any solar panels which you would use only for your own personal use.

Politicians are happy to impose taxes and they are even more happy when these are being paid. But there are much bigger troubles when also they have to pay the taxes. Just remember the former Prime Minister of the third

largest eurozone economy who was convicted (but not punished) of tax frauds. Currently, the Trade Commissioner Karel De Gucht is facing similar problem. He allegedly forgot to report some income of 2009 which would be taxed 900 000 euro. The case will be [brought before a court](#).

There's one positive piece of news. Following a 16-hours long negotiation, the Parliament and the Commission have clinched a deal on the 2014 EU budget. Headline spend is set to [fall by 6%](#) against 2013. So finally, some cuts have been made, but let's not forget that it had been preceded by the Commission's successful demand for extra funds to increase the 2013 budget retroactively.

There's still a lot of work to be done in the area of wasting money from the EU budget. The island of Pitcairn (overseas territory of the United Kingdom) has received [4.4 million euro](#) in the last 13 years from the European Development Fund. What's strange about that? The fact, that the island is inhabited by only 50 people. Maybe there's a nice bungalow owned by some Commissioner... But it's only a drop in the ocean. For instance, EU intended to spend almost 10 billion euro on [fast broadband connection programme](#) over the 2014-2020 budget period. The programme budget has been slashed to 1 billion euro. According to the central planners, half of the EU households will subscribe to internet access above 100 mbps by 2020. The unemployed in Slovak "hungry valleys" are already looking forward to better tomorrows brought by faster internet connection.

The third big stress-test for European banks is coming and it's supposed to be a proper one this time. But it's still uncertain, how the government bonds, considered to be „100% safe“ until recently, will be rated. Jens Weidman, president of the Bundesbank has [argued clearly](#), that „government bonds should be treated like other bonds or loans to companies.“

The south was not very eventful this week. Madrid is a mess of garbage due to the [strike of rubbish collectors](#). The city hall has come up with a foxy solution. As the cleaning services are provided by private companies, they consider the strike to be an issue between employers and workers. They are said to be ready to terminate the contracts once the strike doesn't end soon. Following other member countries, Malta has started [selling citizenship](#). The price is 650 000 euro.

Within the fight against tobacco, Brussels has decided to track (and record for four year period) each one cigarette pack. Since there are about 30 billion packs sold in Europe every year, many suspect the Commission's officials of smoking something stronger than tobacco while thinking this up. Just [like the Mayor of Toronto](#).

We will end it up the week in South America. At first, the heroic Venezuelan army has rescued cleanness of the Venezuelan citizen's Real parts when it mounted a brave attack on a toilet paper factory. And it doesn't slack off during its campaign against capitalism as it has [seized a chain of electronics shops](#) and forced it to sell goods more cheaply.

Comes handy right before Christmas. I hope that you will fight for some shopping discounts too!

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