

The Three Kings preached peace to banks - Fiat Euro! 50/2012

The first step on a path to banking union. ESM sent the first money. Greeks went again into selective default. French say goodbye to the obese reactionary.

Does our title seem to you shifted in time? Truly, the European Three Kings, or rather presidents, already took over our Nobel Peace Prize. While it does not look very peaceful in the Spanish and Greek squares, peace prevails at least at some of the union political fronts.



The greatest progress has been made in the building of the banking union. Germans found the common ground with the French about the completion of the first step – creating a [common banking supervision](#). EU finance ministers agreed that the ECB itself takes the role of direct supervision of more than 150 major European banks. Such a form of supervision should fully work by March 2014. Still, guarantee scheme and resolution fund need to be prepared for the completion of the banking union. Although already today the inhabitants of Slovakia are paying for the mistakes of Spanish banks through ESM and EFSF, the creation of banking union can facilitate such transfers even more. When we are talking about the European banking system, do not imagine a midget. [The value of the assets of European banks](#) is about 47 trillion euros, 366 %

of the annual GDP of the EU. For example, American banks assets value is only 78 % of American GDP.

Handshakes eventually occur also in the case of the EU budget. Tough battle on cuts or hikes increased the risk of a provisional budget. However, it was confirmed that when it comes to spending others' money, politicians know how to negotiate. [The budget for 2013](#) will be about 3,8 billion euros higher than this year's, simultaneously it will be provided additional 6.1 billion euros to cover the budget holes of this year. There will also be some money for 45 000 euro-officials, [they will get 1.7% increase](#) starting retroactively from July 2012. The words "saving" and "cuts" thus remain empty terms only in speeches of politicians.

On the other hand, greater centralization of powers in the hands of Brussels is not an empty word anymore. Banking union is only a fragment in the mosaic; the long-term goal is "increasing degree of common decision-making on national budgets and an enhanced co-ordination of economic policies." Such is the vision [of the plan](#), which has been discussed this week by EU leaders. In other words – a euro-official will decide how much and in what way it will be taken from you on taxes and for what purpose the money will be used.

Along building of the bright tomorrow, also saving of the not-so-bright presence continued during the week. ESM, the famous permanent bailout mechanism, sent [the first money](#) tranche ever. The first payment of the promised 100 billion loan for Spanish banks, specifically 39,5 billion euros, arrived on the account of FROB, Spanish recapitalization fund, which forwards it to specific banks. Those banks, which thanks to the inflow of cheap money, financed construction of 675,000 homes per year between 1997-2006 (more than were built in France, Germany and Britain together) and created a disastrous housing bubble.

It was hot in Greece. The country got once again [the selective default](#) ranking from S&P due to [the bond buyback](#). Greeks declared it to reduce their debt, since by 2020 they want to achieve the dream debt level 124 % of GDP. It works quite simply. Investors are in the possession of Greek bonds, which have a nominal value, to simplify, let's say 100 each. Greeks offered to buy the bonds at a significantly reduced price, let's say 35. Since the real value of these bonds in the market is low, for example 30, it is worth considering for the investors. Although Greeks will have to pay for every 35, the 100 of debt will be erased. But investors may hope that at maturity they can get more than 35 and may not offer the bonds for redemption. The participation of the investors was crucial for this bond buyback programme. Finally, thanks to the offered time extension, Greece has managed to repurchase nearly 32 billion of its debt. For this purchase, Greeks need more than 11 billion euros which they get traditionally from the euro zone.

The completion of bond buyback programme also means that Greeks should finally have open way to receive the next tranche of 34,4 billion euros from euro loan. Conversely, the loan is [deferred for Cyprus on January](#). Although in absolute numbers, the loan projected to be around 17 billion is just a drop in the bucket, compared to country's GDP, it will be the second largest bank bail-out in the history after the Indonesian bail-out in 1997.

But do not blame Greeks for everything. Although they are masters in counterfeiting statistics, the EU leaders [knew very well](#) about it and, nevertheless, Greeks were allowed to adopt the euro. Thus, we can hardly say that Greeks deceived them. It was rather a game of "I pretend that I do not see that you see."

EU could theoretically lose a member soon, but not Greece. [Brussels warned Scots](#) that if they break away from Britain, they will have to apply for a membership and go through the whole accession process. However, it is the United Kingdom which remains the black sheep of the Union. One of the three presidents mentioned at the beginning, the president of the European Parliament, Martin Schultz, proposed creating a new economic committee to oversee events throughout EU member states – [except Britain](#). It would be the first time that any EU organ or institution omitted one of the member states.

Finally, again, our irregular section "You cannot imagine that, that's France". They gradually expel the richest people from the country, including Gerard Depardieu, who became for the left-wing media "[drunk fat bourgeois reactionary](#)" after he decided not to support President Hollande's experiments, who searches billions to rescue banks or subsidize giant automakers. Even quainter is the news that the French Minister for Energy and the Environment suggested that the City of Lights [should turn the lights off](#). Paris shops, according to his vision, should turn off the lights at night to save energy.

Since we are no anti-French chauvinists, we offer also a similar report from Britain. Do you like your burger or steak rare or no more than medium baked? It is possible that you won't be able to buy it while visiting the city of Westminster, because [it is threatened by ban](#). Insufficient heat treatment of raw meat supposedly represents a health risk. All for the health of the consumer! Millions of victims of steak tartar every year should be a silent memento.

Let the bureaucracy be always reason for fun and never for cry!

Martin Vlachynsky