# An improvement in the Eurozone economy, but its politics remains fragile

The launch of a progamme of quantitative easing by the European Central Bank does seem to have revived business confidence across the Eurozone after a long period of stagnation which saw a sustained fall in bank lending to businesses. Consumers are also now becoming less reluctant to spend, with both retail sales and car registrations up. The weakening Euro is helping Eurozone exporters and with the overall Eurozone annual inflation rate still negative, the increase in the cost of imports (which is the other side of the coin to currency depreciation) does not seem to be causing too many problems. Of course, broad-brush macroeconomic data do not reflect conditions on the ground for some struggling individuals – or indeed, in the case of an 18-country bloc, for some struggling member states – but things are definitely looking up on the economic front after a damaging double-dip recession.

Politically, it is a different story. Greece remains a concern, with still no sign of an imminent agreement with its creditors. The country's Deputy Prime Minister Yannis Dragasakis told one national Greek daily yesterday that the option of holding a referendum or snap elections exists "in the back of our minds…in the event of an impasse" in talks with creditors. "There's no way we would cross the red lines that we have set," he went on to say. EU politicians want to keep Greece in the Eurozone, but not at any cost. In Germany especially, the behaviour of the new Syriza-;led government, with its talk of claims for war reparations, had not gone down well. Since 2011, when "Grexit" last appeared to be a real possibility, banking reforms have been implemented which, so many across the Eurozone believe, would prevent contagion in the event of Greece going bust and its banks collapsing. It is a small player in the Eurozone. If it were to leave or be forced out, life would go on across the rest of the single currency bloc without anyone losing much sleep.

Fair enough, but an important principle will have been violated. Eurozone membership was meant to be irreversible. Suppose it isn’t. At the moment, no one is talking about any other countries reverting to their national currencies and the remaining PIIGS (Portugal, Italy, Ireland and Spain) are not in such dire financial straits as Greece, but what if another crisis flared up? In particular, what if Greece with a new drachma, thrived economically outside the single currency bloc and the weaker countries within struggled? This would make Pexit, Spexit or whatever a more attractive possibility, thus undermining the whole project.

That may be for the future. However, in the present, a General Election was held in Finland on Sunday 19th which saw the eurosceptic Finns (formerly True Finns) become the second largest group in the country’s parliament. It is possible that they may be invited into coalition with the winners, the Centre Party. The Finns oppose any further bailouts to Greece, which could make life interesting given the deteriorating economic situation in Athens. They are also not too keen on immigration, like the Sweden Democrats and the Danish People’s Party. Quite how much influence the party’s 38MPs will be able to influence remains to be seen, but the strong showing of a eurosceptic party, even in a country with serious economic issues, is a reminder that unease at the direction of the EU isn’t going to go away any time soon – in this country or elsewhere.

Photo by Matti Mattila