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Verhofstadt vs. Rehn – ‘Mr. Europe’ candidates again

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Guy Verhofstadt named the liberal top candidate for the European elections ++ No government, no cry? How a political standstill can have its merits ++ France forces minister to make U-turn on salaries of Dexia directors. by Daan Fonck

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Guy Verhofstadt named the liberal top candidate for the European elections

What was supposed to be the battle of European liberals, ended in a peaceful settlement. The Belgian public eagerly followed the duel between Guy Verhofstadt and EU Ecomonic Commissioner Olli Rehn over becoming the next candidate for the Commission and leading figure in the European elections. Not the least because former Belgian Prime Minister Guy Verhofstadt is still considered Belgium's Mr. Europe.

What promised to become a public duel suddenly ended with Rehn stepping aside and becoming the party’s candidate for the post of economic or foreign affairs. The quarrel was resolved after the Dutch Prime Minister Mark Rutte and Christian Lindner, the leader of the German FDP, were appointed as mediators. In a press statement the candidates agreed to campaign together.

Verhofstadt was lauded for his flamboyant and 'voluntaristic' style, which was in the press sufficiently contrasted with Rehn's image of a rather boring technocrat with low ambitions towards the European political project. Although giving the appearance of staying objective, the Belgian press clearly preferred their own Belgian candidate over cold and distant Finn who became known in Belgium through his harsh austerity measures.

Being the smaller party next to the large European Peoples Party and the Party of European Socialists, Verhofstadt’s chances are slim to become the Commission President. Moreover, in 2004 the United Kingdom already vetoed Verhofstadt as a potential Commission president because he was too federalist. Question remains whether Verhofstadt will become Mr. Europe after all.

No government, no cry? How a political standstill can have its merits

According to a study of the University of Antwerp, Belgium was among the best countries in the EU to resist the crisis, mainly thanks to its close interdependence with the German economy as well as its relatively strong social safety net. However, the study also assigns Belgian's economic success to its political failure to implement drastic austerity measures.

Political scientist Ive Marx, who co-authored the study, argues that the social inequality in Belgium largely remained the same as before the crisis. This contrary to Italy for example, where poverty has doubled, the United Kingdom where the number of people reliant on food banks soared, or Greece where the social security system collapsed entirely.

Whereas the IMF and the OECD have often criticised the Belgian social security system, its unemployment policy, and especially the automatic indexation of wages and their collective bargaining, Marx argues that especially these ‘automatic stabilisers’ have worked as a safety net preventing people to fall into poverty.

Yet, another interesting factor that influenced the resistance of social indicators is that at the most severe period of the crisis, Belgium simultaneously found itself in the midst of its own political crisis (the country suffered from a government shutdown of 589 days). With only a caretaker government in place, no radical reforms or strong austerity policy could be implemented, resulting in consensual politics, which gave much-needed breathing space for the economy.
This is contrary to the Netherlands, for example, where severe social cuts has proofed to impact strongly on economic growth.

On the negative side, a more worrisome fact is that the inequality between Belgians and migrants has become bigger, whereas before the crisis they were narrowing the gap.

Marx’ study however also provoked some criticism, mostly on the more right end of the political spectrum. These voices argued that Belgium will still have to pay its price for its weak policy reforms in the coming decade, contrary to the Netherlands who is swallowing the bitter pill now.

France forces minister to make U-turn on salaries of Dexia directors

'Let's begin 2014 with a fresh start', must the board of directors of the Belgo-French Dexia bank must have thought on 13th December of last year when they agreed with a wage increase of 30% for all new directors. The decision was permitted by both French and Belgium government.

But boy, were they wrong! A first small scandal was that the bad bank's new business plan, which plans a further slimming down of the staff, was presented to the Directors at strategic seminar organised in a French Castle near Paris. Branded as 'the castle party' by the trade unions the story resulted in public outrage, and gave renewed attention to the salary increase for a bailed-out bank, which keeps on generating new losses (see Belgian Report from August 2013/1).

Yet also in France, a highly critical article on the bank was published. With the opinions now also turning at the other side of the table the French Minister of Finance Pierre Moscovici spoke out against the salary increase. Soon, Belgian Finance Minister Geens was more or less forced to follow. In the Federal Parliament Minister Geens, confronted with his U-turn, resisted accusations of being pressured by the French side.

The French role in Dexia has always been of particular sensitivity in Belgium. Some blame the irresponsible financial policies of the French side of the bank for its collapse during the financial crisis. Many critics also think the Belgian government had to stand in for a proportionally too large part for the bailout.
Total losses by Dexia are currently estimated at 6,000 euros per capita, the Belgian government stands surety for around another 43 billion euros.

Source: Jelle Goossens/Valsts kanceleja |

Guy Verhofstadt (L) & Olli Rehn