Klaus Regling in interview with Hessische/Niedersächsische Allgemeine (HNA)

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Interviews

Interview with Klaus Regling, ESM Managing Director
Hessische / Niedersächsische Allgemeine (HNA), 8 September 2017

Interviewer: Petra Wettlaufer-Pohl

HNA: Mr Regling, could you explain what you do in three sentences?

Klaus Regling: I head the European Stability Mechanism in Luxembourg. The ESM grants temporary rescue loans to countries that lose investor trust in a severe crisis.

To which countries has the ESM granted loans?

Since 2011 we have granted loans to Ireland, Portugal, Spain, Cyprus and Greece in a volume of €272 billion. In exchange, all beneficiary countries committed to a strict reform programme. This has yielded success everywhere, except in Greece. The country is a special case, the recovery will take longer there. But I believe that the Greeks will manage to be successful.

The rules of the ESM are very clear on paper. Nevertheless, many people feel that their taxpayers' money supports countries that waste money.

It's true that many things have gone wrong in Greece: loss of competitiveness, exploding deficits, tax avoidance, wrong statistics and nepotism. But thanks to the reform requirements, there has been remarkable progress. Just one example: The budget deficit was over 15% of GDP in 2009. Today Greece has a small budgetary surplus, like Germany. That was possible only because the Greeks have accepted painful cuts.

Can you give examples?

The reforms in Greece would be difficult to imagine in Germany. The public salaries and pensions have dropped by about one third, the number of public employees has dropped significantly. But the extent of problems in Greece is much bigger than anywhere else. For this reason, Athens has to implement the reform agenda in a determined fashion until the end of the ESM programme in August 2018 and beyond.

Is the euro rescue more important than anything else for you?

As Germany is an export-oriented economy in the heart of Europe, it benefits from the euro as hardly any other country. If the euro area is doing well, Germany is doing well. For that reason Germany acts in best self-interest when it supports the ESM's efforts to stabilise the euro. This does not generate any cost for taxpayers. The reason is that we get the money for our rescue loans by issuing bonds with maturities between one and over 40 years. But Germany and the other euro countries do take on risks.

When will Greece be fit to return to the capital market?

Greece has already issued a first bond successfully in July. That was a first indication that investors acknowledge the reform efforts. If the government sticks to the reform agenda until the end of the ESM programme and beyond, then I am convinced that Greece will leave the crisis behind and will be able to finance itself on the market again – just like our other former programme countries Ireland, Portugal, Spain and Cyprus.

You have proposed a "rainy day fund". Isn't it just another pot of money? And who controls it?

A "rainy day fund" can grant a temporary loan to a country that – for example – has fallen victim to a natural catastrophe without any wrongdoing. The ESM only helps when there are problems that result from wrong policies and it insists on tough reform conditions. But just as with the ESM, a loan from the “rainy day fund” has to be repaid. There are no permanent transfers and no mutualisation of debt. US states have had good experiences with “rainy day funds”.

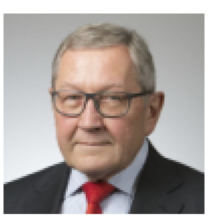
How do you appraise the readiness of euro countries for a further form of solidarity?

The euro countries do display solidarity. The ESM is the best example of that. Thanks to its high creditworthiness, the ESM can borrow money almost as cheaply on the market as Germany. We pass on these low interest rates directly to Greece in our loans. Because of that and because of our long ESM loan maturities, Athens is saving thanks to ESM loans almost €10 billion every year. This is the expression of huge solidarity of the other euro countries with Greece.

The chancellor and the finance minister want to develop the ESM into a European Monetary Fund. What does that mean and what role would remain for the IMF in Europe?

In the rescue programmes in the euro area, the ESM currently shares the tasks with the European Commission, the ECB and the IMF. But there is a consensus among euro countries that the Europeans would have to deal with future crises on their own and that the ESM should get more tasks. Probably the IMF would then no longer finance programmes in the currency union. But the IMF would continue to have a central role as the coordinator in the global currency system.

Author



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