# Interview with Frankfurter Allgemeine Zeitung

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**FAZ: Mr. Regling, after the euro area states agreed on a new, third loan programme for Greece in July, the [German] Federal Finance Minister made clear for some time that he thought Grexit would have been a better solution. What was your opinion at the time?**

Klaus Regling: Grexit remained a possibility while the Greek government rejected reforms, in other words until the heads of government reached an agreement with Prime Minister Alexis Tsipras in July. One can also take the view that new loans do not increase incentives to alter economic policy. I said at the time that Grexit would be the most expensive solution for all concerned. Plausible calculations showed that Grexit would shrink Greek GDP by some 25%, after it had already fallen by a quarter over the previous five years. That would have had a massive impact on 11 million Greeks.

**What would Grexit have meant for the euro area States?**

If Greece had left the euro area and devalued, creditors' loans would have been lost to a large extent. Greece would not have been able to pay them back. That's why Grexit would also have been very expensive for the other euro area countries.

**Does this argument – that Grexit would be more expensive – continue to apply over and over again in the future?**

This question does not arise. Prime Minister Alexis Tsipras is currently delivering – this week all the reforms still needed this year went through parliament. But, of course, I can't guarantee that this will always be so.

**The government has carried out some reforms. But the impression remains that the fundamental reforms have all been pushed into the new year.**

This impression is deceptive. It was always clear that pension reform and the next steps on Greek debt would only be tackled with the first comprehensive review of the reforms, the so-called ‘first review’.

**That first review should have, however, been completed in November; now it is only set to begin in the new year.**
That’s true. In Greece things sometimes get stuck. One should not, however, equate that with unwillingness to reform. There are reasons for these delays, not the least of which is the weakness of the Greek administration; it is often unable to cope with the concrete implementation of the reforms. Leading Greece to a European standard is the task of a generation. But the fact remains that the Greek Government is now willing to reform.

**What makes you so sure?**
One can never be sure. But the government knows that it will only receive additional ESM loans if it carries out reforms. And if it does not get the loans, then it cannot meet its payment obligations to the ECB and the IMF. If that were the case, then one could not rule out finding ourselves back in a similar situation to mid-year. The government also knows, however, that the country can only recover long-term if it sticks to a reform path.

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