

Rolf Strauch in interview with Radio Bremen Zwei

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Interview with Rolf Strauch, ESM Chief Economist

Radio Bremen Zwei

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Wolfgang Rumpf: Ten years ago, the German Bundestag voted in favour of the introduction of the euro bailout fund, in short ESM. As is well known, this bailout fund is a support facility for countries in the Eurozone that are in enormous financial difficulties. The capital stock comprises the gigantic sum of 700 billion. Spain, Greece [, Portugal, Ireland] and Cyprus have

taken money. Money also flowed back again [to the ESM]. And this is what I am talking about with Rolf Strauch. He is the Chief Economist at the ESM in Luxembourg.

Good morning, Mr Strauch. From your point of view, looking back now, has the ESM delivered what it promised? What is your assessment?

Rolf Strauch: Good morning, Mr Rumpf. One can certainly say that we have fulfilled our mandate to help countries and in this sense, on balance, the result is positive. As you said, we helped five countries during the crisis – Ireland, Spain, Portugal, Cyprus and Greece. These countries faced economic difficulties and our programmes helped them to get back on their feet economically. At that time, the danger was that the euro area would break apart.

And if we look at the euro area today, we see that public support for the euro area and for the euro is higher than it has been in the past 20 years. We see that more countries want to join the euro. And that, I think, is also the merit of the ESM as a crisis mechanism that supports the financial stability of the euro.

Rumpf: There is an old saying “whoever pays the music also determines what is played” - in other words, sovereignty over the [music] programme, so to speak. If the money has flowed there, is not that also a contradiction to the solidarity community that the euro area is also supposed to be?

Strauch: The ESM stands for the community of solidarity. It was aid that was given to the countries at very favourable conditions, which created a lot of financial space for the countries, and thus contributed to helping the population. Of course, this was also accompanied by policy measures that were necessary to stimulate growth again. They were not always easy, but they had to be implemented and, as I said, they led to success. After the programmes, growth in these countries was higher than in other European countries.

Rumpf: Mr. Strauch, you alluded to it. It is often the case that the ESM and the money that flowed into the other countries were also linked to reforms. Has anything been achieved?

Strauch: These reforms have led to more growth. They have led to a more efficient national economy and to countries being able to go back to the financial market and to finance themselves at good conditions on the financial market.

Rumpf: Mr. Strauch, if you now take another look into the crystal ball, will we still need the ESM in 10 years?

Strauch: I think the ESM is well prepared for the future. At the end of this year, we will receive further tasks. In the future, we will be able to provide better and much safer assistance in the event of problems in the banking sector – without burdening taxpayers or having to take risks. Together with the European Commission in Brussels, we will also monitor the euro area countries in order to be better equipped to intervene early and, if you will, to prevent small fires from becoming big fires.

Rumpf: That is reassuring as a final word. Ten years ago, the euro bailout fund was given the go-ahead by the Bundestag and that was Rolf Strauch, Chief Economist at the ESM.

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