

Klaus Regling in interview with Spiegel Online

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14/08/2018

Interviews

Interview with Klaus Regling, ESM Managing Director

Published in Spiegel Online, 14 August 2018

Interviewer: David Böcking

Spiegel Online: What was the cause of the crisis in Greece?

Klaus Regling: After joining the euro area wages and salaries rose much faster than productivity. As a result, Greece's economy lost competitiveness compared to other euro countries. In addition, there was a weak public administration with sluggish legal implementation, slow courts, and an underdeveloped land registry. When it became clear in 2009 that Athens had prettified its deficit figures, the country abruptly lost investors' trust. Greece lost market access and had to request rescue loans.

Has the policy reacted correctly to the crisis?

It would be arrogant to say we did everything right in Greece. There was no script for this crisis, the worst since the Great Depression. Private sector participation, for example, in which private holders of Greek government bonds had to forego more than €100 billion in 2012, should have come earlier. But in principle, we acted correctly: following the example of the IMF, the euro countries granted rescue loans, which were tied to strict reform requirements. If the reforms continue, Greece is on the right track. The other programme countries, namely Portugal, Ireland, Spain, and Cyprus, are already success stories. The reforms in Greece and elsewhere, the better economic coordination in Europe, the creation of Banking Union and the ESM

have all made the monetary union more resilient.

Is the crisis over now?

The euro area crisis is now long over. The end of the ESM programme for Greece on 20 August is the epilogue. But Athens will remain closely linked to the ESM. With €204 billion in rescue loans, we are Greece's biggest creditor. Given our long maturities and low interest rates, Greece saves around €12 billion in debt servicing costs on its budget every year. In addition there is our debt relief, which comes without cuts in the debt or costs for other taxpayers. For these reasons, Greece will be under closer surveillance by the ESM and the other institutions after its programme ends than the other programme states.

What did you personally learn from the crisis?

I have developed tremendous respect for the Greek people, who have had to accept painful adjustments. Wages, salaries, and pensions had to be cut by up to 30%. The number of employees in the public sector also had to be significantly reduced. I wish that this adjustment was more appreciated in Germany. These cuts were essential to restoring sound public finances and competitiveness. The Greeks have accepted them because they want to stay in the euro area.

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