

## **Press release: Immediate**

### **New poll shows 70% of Germans are against bailing out Ireland**

Amid the ongoing recession and speculation about the extent to which EU member states can or will help each other out, Open Europe, in collaboration with the Institute for Free Enterprise in Berlin, today publishes a new poll which shows that 70% of Germans are against using public money to bail out other countries that have got into financial difficulties.

This is in spite of indications from the German government that it may be planning to offer financial help to some countries, particularly Ireland.

Voters were asked:

*"In the course of the current economic and financial crisis, individual countries such as Ireland and Greece have got into financial difficulties. The German Federal Government has indicated that Germany would be prepared to financially support countries like Ireland "which have been hit quite hard by the banking crisis". With this in mind, which of the following comes closest to your view?"*

24.8% agreed with the statement "I believe that German taxpayers' money should be spent on helping countries like Ireland or Greece."

70.9% agreed with the statement "I believe that German taxpayers' money should not be spent on helping countries like Ireland or Greece."

3.4% said they don't know.

A representative sample of 1010 people of voting age (18+) in Germany were polled between 8 and 10 June by German polling company Psyma.

Click here to see the results:

[http://www.iuf-berlin.org/wm\\_files/wm\\_pdf/bailout\\_ireland\\_-\\_iuf\\_poll\\_2009.pdf](http://www.iuf-berlin.org/wm_files/wm_pdf/bailout_ireland_-_iuf_poll_2009.pdf)

### **Open Europe Director Lorraine Mullally said:**

*"As the global recession limbers on, there's been a lot of talk about the possibility of stronger EU member states bailing out the weaker ones, but until now no-one has asked what voters think. Any plan to bail out EU countries depends on the willingness of German taxpayers to cough up – and this poll clearly shows they are not keen."*

*"In particular, there have been suggestions that Ireland will somehow be offered a lifeline in this crisis, if only they show their appreciation of 'Europe' and vote in favour of the Lisbon Treaty. It's important that Irish voters realise there is no appetite among German voters for such a rescue package, which will make it very difficult to achieve in practice."*

*"To suggest otherwise is dishonest and very misleading."*

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## **Wolfgang Muller from the Institute for Free Enterprise in Berlin, said:**

*"Germany is already Europe's sugar daddy. The poll confirms that Germany's taxpayers are not willing to accept an ever increasing fiscal burden. At a time when Germany's financial equalisation scheme between the federal government and the states is under increasing scrutiny, there is a need to reward the achievers and not to increase redistribution. Even if the economic and fiscal policy in most EU countries is just an average, we must reward good economic policy rather than punishing it. Ireland's bail out would send the wrong signals to the governments in the EU."*

*"We have to avoid that Germany's government starts providing generous support to Ireland, because every cent of this exercise will lead to higher taxes, more debt and will therefore endanger Germany's competitiveness - with higher unemployment and an even deeper economic downturn looming on the horizon."*

*"The silently mentioned plan to use the bail out to "buy" Ireland's Yes vote to the Lisbon treaty is a typical example of hypocritical policy-making and must be strongly rejected on the grounds of political hygiene."*

## **Background**

- In recent months there have been increasing suggestions in Germany that countries struggling in the recession may need to be bailed out by other countries. Exactly how this would be done is not clear, but it is widely acknowledged that Germany would bear the lion's share of the costs involved.
- On 18 February 2009, German Finance Minister Peer Steinbrueck said: "If one euro zone gets into trouble, then collectively we will have to be helpful." According to Der Spiegel magazine, "For German taxpayers, this would be no small sum. If Germany were to pay into a bailout based on its size relative to other euro zone countries, it would be forced to cover one-fourth of the entire tab."<sup>1</sup>
- In February the Financial Times Deutschland quoted Peter Bofinger, Member of the German Council of Economic Experts, saying that a German bailout operation of other eurozone countries "could cost the taxpayer about 1.5 billion euro per year".<sup>2</sup>
- According to Der Spiegel magazine, the German Finance Ministry has come up with several draft scenarios for rescue measures. One involves Germany issuing 'bilateral bonds' to raise money for struggling countries; another involves groups of several member states collectively floating a bond; a third involves using a clause in the EU treaties which allows it to provide aid if a member state is facing extraordinary circumstances – which would mean the EU taking out its own loans on capital markets for the first time; and a fourth involves an aid package provided by the IMF.<sup>3</sup>

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<sup>1</sup> 20 February 2009 <http://www.spiegel.de/international/europe/0,1518,608985,00.html>

<sup>2</sup> Financial Times Deutschland, 20 February 2009 <http://www.ftd.de/politik/europa/:Hilfe-aus-Deutschland-Retter-aus-der-Euro-Not/477093.html>

<sup>3</sup> See here for more details: <http://www.spiegel.de/international/europe/0,1518,608985,00.html> 20 February 2009

- EU Economic Affairs Commissioner Joaquin Almunia sparked controversy in March when he said: "If a crisis emerges in one eurozone country, there is a solution before visiting the IMF. Don't forget we are equipped to interact politically and economically to face the crisis, but these kinds of things should not be explained publicly."<sup>4</sup>
- In June, Times columnist Anatole Kaletsky wrote that: "Germany is at the heart of a huge plan to prop up crippled EU economies - not that the German people would ever know."<sup>5</sup>
- In March, the Irish Times reported that: "Unofficially, leading figures in Berlin admit that assistance for several EU members, including Ireland, is all but inevitable."<sup>6</sup>
- Indeed, specific reference has repeatedly been made to the possibility of helping Ireland. Peer Steinbrueck said: "We have a number of countries in the eurozone that are clearly getting into trouble on their payments", adding that "Ireland is in a very difficult situation". He said: "The euro-region treaties do not foresee any help for insolvent states, but in reality the others would have to rescue those running into difficulty."<sup>7</sup>
- Shortly afterwards, these comments were echoed by German Chancellor Angela Merkel during a speech to the foreign press in Berlin. The Irish Times reported that: "In an unprompted reference to Ireland in the course of an address yesterday, Dr Merkel gave the strongest signal yet that Berlin may act under Article 100 of the Maastricht Treaty, allowing financial assistance to be given to countries experiencing 'difficulties caused by natural disasters or exceptional occurrences beyond its control'."
- She said: "Of course there is a certain interpretative room to manoeuvre in the stability and growth pact and a country like Ireland that has been hit quite hard by the banking crisis is clearly in a different situation to a country like Slovakia with fewer banks. We have shown solidarity and that will remain so."<sup>8</sup>
- Some people even appear to be implicitly link the outcome of the upcoming second Irish referendum on the Lisbon Treaty to the possibility of Ireland securing financial help from other member states.
- The main Irish campaign in favour of the Lisbon Treaty, Generation Yes, lists among its 5 reasons for voting yes: "Our best chance for an economic recovery: Ireland can't fight global economic forces on its own, in this financial storm the EU is Ireland's safe harbour."<sup>9</sup>

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<sup>4</sup> Euractiv, 4 March 2009 <http://www.euractiv.com/en/euro/almunia-backs-eu-bonds-eurozone-bailout-plan/article-179937>

<sup>5</sup> [http://www.timesonline.co.uk/tol/comment/columnists/anatole\\_kaletsky/article6426565.ece](http://www.timesonline.co.uk/tol/comment/columnists/anatole_kaletsky/article6426565.ece)

<sup>6</sup> 21 March 2009 <http://www.irishtimes.com/newspaper/world/2009/0321/1224243196273.html>

<sup>7</sup> EU Observer, 18 February 2009 <http://euobserver.com/9/27632>

<sup>8</sup> Irish Times, 27 February 2009, <http://www.irishtimes.com/newspaper/finance/2009/0227/1224241894001.html>

<sup>9</sup> <http://www.generationyes.ie/why-vote-yes/>

- Similarly, on 25 June, German MEP Jo Leinen said the Irish must vote “Yes” if they wish to continue to benefit from the "protective umbrella" the EU provides.<sup>10</sup>
- In March, the German Ambassador to Ireland, Christian Pauls, warned that Ireland would "throw away its future" if it voted No to the Lisbon Treaty for a second time. He said, "A second No would have horrific consequences for Ireland and I am not the first to say it. I don't think there is anything particularly new in that."<sup>11</sup>
- Several commentators have expressed doubt about the possibilities for such a ‘bailout’. The Former Chief Economist at the ECB, Otmar Issing, told the Frankfurter Allgemeine Zeitung that it would be a catastrophe to water down the ‘no bailout’ clause in the EU treaties, arguing that it would spell an end to "the political stability of the monetary union". He said that in order for financial discipline to prevail every member state must be responsible for its own debt and deficits: “without this there would be no end”, he said.<sup>12</sup>
- Current ECB Chief Economist Jürgen Stark has said “the ban preventing the EU and its member states from taking responsibility for the debts of partner countries is an important foundation needed for the currency union to function.”<sup>13</sup>
- Karl Otto Pohl, former President of Germany’s Bundesbank, said that if Germany decided to bail out other members of the eurozone it would open a Pandora’s Box, adding “It would be like jumping in a swimming pool without water”.<sup>14</sup>

## Notes for Editors

1) For more information, please contact Lorraine Mullally on 0044 207 197 2333 or Pieter Cleppe on 0032 25408625

2) Open Europe is an independent think-tank calling for reform of the European Union. Its supporters include: Sir Stuart Rose, Executive Chairman, Marks and Spencer plc; Sir Crispin Davis, Former Chief Executive, Reed Elsevier Group plc; Sir David Lees, Chairman, Tate and Lyle plc; Sir Henry Keswick, Chairman, Jardine Matheson Holdings Ltd; Lord Sainsbury of Preston Candover KG, Life President, J Sainsbury plc; Sir John Egan, Chairman, Severn Trent plc and Lord Kalms of Edgware, President, DSG International plc.

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<http://www.openeurope.org.uk/about-us/supporters.aspx>

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<sup>10</sup> The Parliament, 25 June 2009 <http://www.theparliament.com/latestnews/news-article/newsarticle/senior-mep-issues-warning-to-irish-over-lisbon-referendum/>

<sup>11</sup> Irish Times, 20 March 2009 <http://www.irishtimes.com/newspaper/frontpage/2009/0320/1224243126493.html>

<sup>12</sup> FAZ, 20 February 2009 <http://www.faz.net/s/Rub58241E4DF1B149538ABC24D0E82A6266/Doc~E40EB6E412FAD41CFAC5F8EC2CAE2867C~ATpl~Ecommon~Scontent.html> and <http://openeuropeblog.blogspot.com/2009/02/not-all-germans-desire-union-of-debt.html>

<sup>13</sup> Der Spiegel, 20 February 2009 <http://www.spiegel.de/international/europe/0,1518,608985,00.html>

<sup>14</sup> 27 February 2009 <http://www.openeurope.org.uk/media-centre/summary.aspx?id=792>

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