

Five minutes with Estonian Finance Minister Jürgen Ligi – “I honestly haven’t seen any austerity in Greece”

by Blog Admin

*After experiencing a sharp recession at the beginning of the economic crisis, Estonia has recorded growth figures well above the EU average. Combined with the country’s austerity policies, this recovery has resulted in Estonia being described as a ‘champion of austerity’. In an interview with EUOPP editors Chris Gilson and Stuart A Brown, Estonia’s Minister of Finance **Jürgen Ligi** outlines the factors behind Estonia’s economic performance, why he believes there is no real austerity in Greece, and the benefits of being part of the eurozone.*



Why has Estonia recovered from the economic crisis more effectively than other countries in Europe?

For sure we made brave and quick decisions, quicker than anyone else. We started with them during the first signs of the crisis in 2008, but even we were too slow. By correcting public finances, by making structural adjustments, we managed to restore confidence for consumers and investors. Last year our growth was 8.3 per cent, which is very good.

Do you think that austerity measures in countries like Greece have gone far enough?

I honestly haven’t seen any austerity in Greece. It’s a rich country with a high level of consumption and the present situation in Greece is far better than what we experienced in Estonia in the early 1990s. They are spending a lot – much more than they earn – so it can’t be called austerity, but they need to make changes and they need to adjust. Fortunately now they are going more or less by the plan which we finance ministers are discussing every month. This is the pre-condition for getting financing for their deficit.

Should stimulus spending be part of the solution to the eurozone crisis?

Well, it would be a good idea if Europe had reserves, but that potential has been exhausted. The interest rates are at a minimal level and everyone has deficits and debts so there is no such option for Europe. Of course, stimulating doesn’t just mean flooding the problem areas with liquidity, stimulating first of all should mean smart spending and opening growth potential and this is something that Europe is doing at the moment. Europe has changed its macroeconomic and fiscal rules and it’s also trying to open up the market for competition and encouraging more productive economic activity.

Has Estonia benefited from joining the euro?

As an Estonian, I am happy to be in the eurozone – it’s the only place for Estonia. I like to say that we were the first member of the eurozone when we pegged our currency to the Deutsche Mark (in 1992). This changed our situation within days. Before this we had the Soviet ruble and our market economy really only became possible from that moment as our currency finally had real value. Now we are in the eurozone, but by having this currency system we have really been preparing for that situation for 20 years. At the same time, we are also now participating in eurozone decision-making, which we couldn’t do before. I am happy to be inside the eurozone and Estonians also support the euro, they are just unhappy about the current economic problems. Of course nobody is happy to support countries which have historically had higher standards of living than Estonia – that is the bad part of membership.

Do you think the euro will still exist in its present form in five years’ time?

Yes I do, actually, and for sure Estonia will be in the eurozone. You never know what democracies and policies can achieve, but the necessity for a common currency is there and if we run the euro effectively and correct our mistakes all countries can stay in the eurozone. For sure, countries with a prudent fiscal and financial culture are suitable members for a common currency area. As I've said, Estonia started by pegging its currency to a bigger one (the Deutsche Mark): we are too small to have a dependent active monetary policy, so we need a common currency even more than other countries.

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Note: This article gives the views of the author, and not the position of EUROPP – European Politics and Policy, nor of the London School of Economics.

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About the author

Jürgen Ligi – *Estonian Minister of Finance*

Jürgen Ligi is Estonia's Minister of Finance, a post he has held since 2009. From 2005 to 2007 he served as Estonia's Minister of Defence and he is also currently the Vice-President of the country's Reform Party. Prior to entering politics he worked in banking and as an economic adviser.

