



Written by [Raven Clabough](#) on January 12, 2011

EU Officials Want Larger Bailout Fund

Even as the European Union is bankrupting itself with bailouts, the EU's top Monetary Affairs Commissioner Olli Rehn said on Wednesday that the €440 billion (\$570 billion) bailout fund for struggling European nations should not only be increased but given more powers. According to Rehn, the eurozone governments are currently considering the proposal to increase the size of the funds.



In May, the European Union and International Monetary Fund established a rescue fund in which the biggest contributors are eurozone governments. A portion of the rescue fund is guaranteed through the European Financial Stability Facility (EFSF).

Of the EFSF, [The Guardian](#) wrote:

The EFSF is used only to rescue a country no longer able to fund itself on the bond markets because of high borrowing costs. Barroso and Olli Rehn...want the fund to be made available to countries like Belgium — facing short-term funding problems — and for buying up the bonds of troubled nations. The European Central Bank, which has been reluctantly buying bonds since last May, support this use of the EFSF, but was previously opposed by Berlin, the biggest EFSF guarantor.

José Manuel Barroso, president of the European commission, and Rehn contend that EFSF should increase the amount and scope of the fund. Rehn asserts, "We need to review all options of the size and scope of our financial backstops."

As noted in the *Guardian*, leaders in the European Union assert that in order to defend the euro, the EU "must extend the scope of the bailout funds to include bond-buying and short-term credit for countries in distress."

The French and German governments have already dismissed the proposal, but Barroso is insistent that the amount should be increased by nearly 50 percent, a figure staunchly opposed by Germany last month.

The Blaze reports,

Analysts fear that the existing backstop might be too small if a big economy like Spain runs into financial trouble. Portugal is holding a bond auction Wednesday that investors are scrutinizing to gauge the extent of its debt market problems.

Barroso contends that if the amount is increased by 50 percent, it would manage to maintain a triple-A credit rating, even after possible bailouts of Portugal and Spain.



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Portugal, however, is willing to do whatever it takes, including instituting an austerity program of tax hikes and pay cuts, in order to avoid a bailout like that received by Greece and Ireland, and for good reason: Even worse woes seem to befall nations that accept bailouts.

[Nigel Farage](#), leader of the UK Independence Party, co-president of Europe of Freedom and Democracy (EFD), and renowned “euroskeptic,” spoke out against the European Union in December, addressing the loss of autonomy that accompanies the bailouts, specifically Ireland’s:

They should never have ever joined the Euro. They suffered from low interest rates, a false boom and a massive bust. But I look at your response to them. What they’re being told as their government is collapsing is that it would be inappropriate for them to have a general election. In fact, they were told they had to have an agreed budget first before they are allowed to have a general election.

Farage went on to scold the European Union for allowing its member states to accumulate so much debt in the first place and then bailing them out at the expense of the taxpayers.

What’s worse is that the *American* taxpayers are also on the hook for European bailouts. In June, [The Hill](#) reported:

The Obama administration has committed tens of billions of American tax dollars to bailing out European governments whose failed socialist policies have become too exorbitant to pay... At a time when America is running a \$1.4 trillion deficit and accumulating a \$13 trillion debt, one would think our government would respectively [sic] ask the EU to solve their problems without using U.S. tax money. Unfortunately, rather than stand up for American taxpayers, President Obama and Treasury Secretary Geithner have been working behind the scenes to facilitate a bailout of first, Greece, and then the entire European Union.

Unfortunately, the bailouts did not end with Greece. Next was Ireland, which posed a colossal risk to democracy, as noted by Nigel Farage. Now Portugal.

Most analysts predict that despite Portugal’s resistance, it will likely be engulfed by the financial crisis that is plaguing all of Europe.

Photo: Olli Rehn, European Commissioner for Economic and Financial Affairs



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