Premier Says Aid to Banks Will Lift Economy

By JONATHAN HOUSE

By agreeing to ask for external assistance for a banking industry strained by a massive housing bust, Spain becomes the fourth euro-zone country to request a bailout, after Greece, Portugal and Ireland. As the experiences of these countries show, entering an EU bailout program is fraught with economic and political risks. The governments and companies of those countries have lost access to financial markets for extended periods, while the prime ministers who requested the aid were all voted out of office soon after, largely the result of deep budget cuts and sweeping economic overhauls mandated in exchange for the aid.

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Premier Rajoy said on Sunday that his government’s austerity measures helped Spain get more-targeted aid.
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Spain’s Prime Minister Mariano Rajoy welcomes euro zone finance ministers’ agreement to lend Spain up to 100 billion euros. Deborah Lutterbeck reports. Video

Courtesy of Reuters.

“Europe is offering Spanish banks a credit line that they will have to pay back...There is no macroeconomic conditionality for the country, but for the banks that receive it,” Mr. Rajoy said.

He said Spain was able to opt for a more-targeted aid package because of measures his government has taken to overhaul an economy with 24% unemployment and that is expected to contract 1.7% this year. "If we hadn't done what we've done in the last five months, we would have been discussing yesterday a bailout for the Kingdom of Spain," he said.

Mr. Rajoy won a large parliamentary majority with 44.6% of the vote in November elections, but a new poll published Sunday by Spain’s El País newspaper showed his conservative Popular Party would capture just 37% if elections were held today. The survey done last week by pollsters at Metroscopia found that 63% of respondents were unhappy with Mr. Rajoy's performance, while 69% disapprove of opposition leader Alfredo Pérez Rubalcaba.

In coming weeks, public support for the bailout deal will be dependent on the details of the associated conditionality and the government’s ability to convince Spanish people that the bailout won’t bring costs for them, said Francisco Longo, professor of governance and public policy at the ESADE business school in Barcelona.

Although the government says the aid won’t have an impact on its budget deficit, it will add to the country’s fast-rising debt load.

That will require that the government step up its game on the communications front, Mr. Longo added. Mr. Rajoy, whose natural tendency is to eschew the public spotlight, came under stiff criticism on social networks and from local newspapers for delegating the announcement of the bailout Saturday to Finance Minister Luis de Guindos. He was also criticized for maintaining his trip to Poland Sunday to watch the Spanish national soccer team play in the Euro soccer championship.

"I'm going primarily because the Spanish team is champion of Europe and world, and I think it is good for the prime minister to be present at its first game," Mr. Rajoy said.

Crucially, Mr. Pérez Rubalcaba, head of Spain’s Socialist party, offered tacit support for the bailout program Sunday. Although he said the bailout marks "the most serious moment of the economic crisis" and that the Socialist party had "worked to prevent it," he said that the "Socialist party is ready, as always, to offer its support and place the interests of Spain ahead of any others."

—David Román contributed to this article.