German parliament votes for European fiscal pact

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The German Bundestag (parliament) voted Friday by a two-thirds majority (491 to 111) to back the European fiscal pact. Even more deputies (493) voted separately to sanction German participation in a new bailout fund, the European Stability Mechanism (ESM).

The fiscal pact, which dictates sweeping measures to slash budget deficits and debt levels throughout the European Union, and the ESM are central elements of a coordinated attack on the European working class.

The coalition government, consisting of the Christian Democratic Union (CDU), the Christian Social Union (CSU) and the Free Democratic Party (FDP), was supported in the vote by a majority of both the Social Democratic Party (SPD) and the Greens. There were few dissenters within the government coalition. The only parliamentary group that voted against the measures was the Left Party.

The result demonstrates the broad support within Germany's economic and political elite for a European fiscal union, whose purpose will be an intensification of the assault on the working class. Notwithstanding their vague demands for "growth" policies, the majority of the Social Democrats and Greens registered their support for control over national budgets by the EU.

Germany has already incorporated a national debt ceiling into its constitution.

The fiscal pact and ESM, agreed at the beginning of the year by the euro zone heads of government, are instruments for carrying through a social counterrevolution across Europe, modeled on the austerity measures imposed in Greece. The German ruling class plans to use these measures not only to secure further cuts in social spending in Germany, but to turn all of Europe into a cheap-labor haven for German industry.

By signing the fiscal pact, each country agrees to write a debt ceiling into its own constitution, along with an automatic adjustment mechanism to slash spending if deficit targets are not met. Over a period of time fixed by the European Commission, countries must balance their budgets and sharply reduce their national debts.

This will, in practice, abolish the budgetary sovereignty of the EU member-states, in the first instance of the highly indebted countries.

The signatories to the fiscal pact recognize the jurisdiction of the European Court of Justice. They agree to report violations directly to the EU Commission and the European Council and propose corrective measures, the implementation of which will be strictly monitored by the EU institutions.

The fiscal pact is a binding international treaty that cannot easily be terminated unilaterally by a signatory, even where an election produces a new parliamentary majority.

The ESM is to replace the existing European Financial Stability Facility (EFSF) rescue mechanism. With €500 billion in funds, the ESM will be authorized to loan money to euro zone countries that can no longer borrow money on the capital markets.

The bailout funds, to which Germany has contributed €190 billion, go to securing the holdings of the international banks. Last week's EU summit also decided to allow the ESM to directly capitalize ailing Spanish banks.

ESM disbursements will be tied to strict conditions requiring recipient states to carry out sweeping austerity measures, along the lines of what has been done in return for EU bailouts in Greece, Portugal and Ireland. Two unelected entities entirely unanswerable to the public will oversee and enforce the austerity programs—a Board of Governors and a Directorate.

Under the fiscal pact, the German federal budget must be reduced by about €25 billion next year. This corresponds approximately to the budget for all payments of tier-two unemployment benefits. If ESM bonds fall due, the scale of spending cuts can quickly rise.

This is the programme to which virtually all of the parliamentary parties have consented. In the debate last Wednesday, SPD leader Frank-Walter Steinmeier signaled the approval of his parliamentary group. The fiscal pact was “worthwhile,” he said, because his party, together with the Greens, had been able to supplement it with a “growth pact” and a financial transaction tax.

On the same basis, the Executive Board of the Green Party urged the parliamentary faction to support the measures. The party’s states council also gave its support. Green parliamentary leader Jürgen Trittin defended the approval of the package, saying the EU would break apart otherwise. “What do you think is going on in the international financial markets?” he asked the delegates.

Dissidents within the Greens’ parliamentary group raised no principled opposition to the fiscal pact. They merely wanted it to be accompanied by an “old debts redemption fund” to somewhat buffer the impact on indebted countries.

Such a fund would be a fraud, just like the growth pact and the financial transaction tax. The growth pact, which was endorsed in principle by the EU summit, does not include any additional funding. It merely allocates long-planned expenditures. With a maximum of 130 billion euros, it is many times smaller than the sums that will be slashed under the fiscal pact.

The financial transaction tax will by no means cover all financial transactions, and therefore revenues will be correspondingly lower.

In any event, the implementation of these measures is by no means certain, because it depends on the agreement of other EU countries.

In addition to the votes against by members of the opposition parties, some representatives of the government coalition refused to support the measures. CSU deputy Peter Gauweiler had already lodged an appeal with the Supreme Court against the new law on the grounds that the “euro rescue” could assume “boundless” proportions. He has called for the exclusion of Greece from the euro zone.

The parliamentary faction of the Left Party has also filed a legal action. They held a protest against the fiscal pact, together with groups close to the SPD and the Greens such as ATTAC and Young Friends of Nature. Less than 100 people assembled in front of the Reichstag (the parliament building).

Along with their parliamentary vote against the measures, the demonstration was used by the Left Party to deflect the widespread opposition to bank bailouts and fiscal union into harmless channels, and to defend the EU. The speakers did not utter a word of criticism against the EU and its institutions, the cockpit for social attacks across Europe.

Instead, Left Party leader Gregor Gysi called for reform of the EU through higher taxation of incomes and wealth and the elimination of subsidies. The new chair of the Left Party, Katja Kipping, made clear the real concerns of her party. She told the newspaper *Neues Deutscheland*: “If people see the EU as an institution that implements cuts, the already low enthusiasm for the EU will disappear.”

The Left Party does not advance a principled opposition to the bank bailouts and associated social attacks. Whenever its votes are required—to pass the state budget in Berlin or fast-track backing for the bank rescue in the Bundestag—the Left Party does not hesitate to support the robbery being carried out by the banks.