

# German Constitutional Court gives green light for euro bailout fund

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On Wednesday, the German Constitutional Court in Karlsruhe gave the green light for the euro bailout fund ESM and the European Fiscal Pact. In the final verdict, the judges rejected the appeals against the ESM.

The court tied its assent to easily fulfilled conditions. Firstly, the German government must ensure that the German liability limit of €190 billion can be changed only with the consent of the German representative in the ESM. Moreover, the two chambers of the German parliament—the Bundestag and Bundesrat—must be kept fully informed, despite the ESM staff’s obligation to preserve secrecy.

Some commentaries conclude that these conditions will strengthen rather than weaken the hand of the government. The *Frankfurter Rundschau* wrote: “The conditions will not put a brake on Chancellor Angela Merkel—on the contrary she can use the limits imposed by the German constitutional court in Europe to combat any further excessive demands on the part of Italy, Spain and other euro-zone countries.”

The ESM will permanently replace the provisional EFSF next year. It has authorised capital of €700 billion and can provide loans worth €500 billion. As the largest member country, Germany must guarantee around 27 percent of the ESM’s total funds.

Officially, loans granted by the ESM and EFSF are described as “aid” for heavily indebted countries. In fact, they “aid” the banks, not countries. The funds go directly to the accounts of financial investors who are repaid their loans in full plus interest. For their part, those countries receiving “aid” must pay for it with drastic austerity measures that are ruining broad layers of the population.

The coming into force of the ESM, which has now received a green light from the Karlsruhe court, inevitably means a sharpening of the class struggle all

over Europe.

The financial markets expect a fresh windfall and have responded enthusiastically to the ruling. The euro and European stock indexes soared as soon as it was reported.

Working people throughout Europe, however, face new social attacks. The joint guarantee of debt amounting to hundreds of billions of euros will result in the extension of brutal austerity measures, which have focused primarily on southern Europe, to the entire euro zone. This process has already begun in France, the Netherlands and Germany.

The judgment of the constitutional court is primarily politically motivated. The presiding judge, Andreas Voßkuhle, said that stopping the ESM or delaying it further would have incalculable political and economic consequences.

The court largely ignored the legal arguments put forward by the plaintiffs. They had objected to the undermining of the “sovereign right” of parliament to determine budget policy, should the ESM and the European Central Bank (ECB) have the power to spend hundreds of billions of euros, guaranteed by the public purse, without parliamentary scrutiny.

The German government has been involved in a prolonged internal conflict about how far it should go to defend the euro and heavily indebted countries like Greece. In recent weeks, however, the government has clearly sided in favour of doing all that is necessary to preserve the euro zone.

When the ECB decided last week to buy unlimited amounts of government bonds from highly indebted countries, it did so with the tacit approval of Berlin. Although German federal bank president Jens Weidmann rejected the step and publicly registered his protest, Chancellor Angela Merkel and Finance

Minister Wolfgang Schäuble signaled their consent. In return, the ECB was required to ensure that it would only extend support to states that submit to the strict austerity criteria of the ESM.

Last weekend, *Spiegel Online* reported that the German government had decided not to allow Greece to crash out of the euro, irrespective of the conclusions of the forthcoming report by the troika. The chancellor and her advisers regard a Greek withdrawal from the euro zone as far too risky. At the same time, the government is pushing for a tightening of austerity measures, the gutting of workers' rights and the establishment of special economic zones in Greece.

German big business is keen to prevent a breakup of the euro zone because it needs the zone as a market for its goods and as a base for its struggle for influence on the world market. The government insists, however, that all of Europe be subjected to German diktat and intensify austerity measures. The Karlsruhe ruling has strengthened Chancellor Merkel in this respect.

The government welcomed the Karlsruhe ruling. Economics Minister Philipp Rösler (Free Democratic Party) said that the policy of the government had been confirmed: "With this clear and unambiguous ruling by the Federal Constitutional Court, we are an important step closer to stabilising the euro."

During the budget debate in the Bundestag, Chancellor Merkel called the ruling a "strong signal to Europe and beyond.... This is a good day for Germany and a good day for Europe."

The opposition parties also supported the judgment and stood fully behind the government. Green Party leader Jürgen Trittin praised the "good judgment", and Green Party Chairman Cem Özdemir declared: "Germany should now conclude the ratification process as soon as possible so the ESM can finally start."

Social Democratic Party leader Sigmar Gabriel said: "It would have been bad news for the German economy if Europe became destabilised." SPD parliamentary leader Frank-Walter Steinmeier said he was glad speculation about the outcome of the judgment had stopped and the ESM could finally start its work.

Even the leader of the Left Party, Gregor Gysi, welcomed the verdict, even though his party was among the plaintiffs in Karlsruhe. He expressed satisfaction with the "legal reservations" stipulated by the court and declared: "We have struck a blow there

for democracy."



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