



# The New York Times

GLOBAL.NYTIMES.COM

## Court backs Berlin on E.U. rescue aid

KARLSRUHE, GERMANY

But many hurdles remain  
to orchestrating future  
bailouts in euro zone

BY NICHOLAS KULISH  
AND ALAN COWELL

The threat of sudden disaster for Europe's common currency was averted Wednesday when Germany's Constitutional Court rejected legal challenges to the bailout for heavily indebted countries like Greece.

In upholding the legality of Berlin's rescue packages for debt-stricken euro zone countries, the Federal Constitutional Court handed Chancellor Angela Merkel a rare and unexpected triumph.

The question is whether the decision is a turning point for the chancellor, one that could give her the momentum she needs to take on more of a leadership role without concern over being undercut at home by constitutional questions or domestic politics.

Mrs. Merkel struck a confident note in speaking before Parliament, saying the ruling had "absolutely confirmed" her government's "transparent" handling of Europe's debt crisis in close consultation with Parliament. "That is exactly the path we have followed," she said.

Had the court declared the bailouts unconstitutional, the repercussions for the euro and the fragile European banking system would almost certainly have been devastating. "If the euro collapses, so does Europe," Mrs. Merkel said, adding, "Germany's future is inseparable from Europe's future."

While the court may have signed off on the constitutional questions, significant political hurdles remain in Germany and other countries in Europe. Voters in Germany, Europe's largest economy, do not want to pay to haul other countries out of their deficit woes.

But the court's decision clearly puts pressure on opponents of the bailouts to fall into line, robbing them of political cover for their opposition to the contro-

versial bailout system. "The ship is full steam ahead on its determined course," said Jürgen Matthes, head of international economic policy at the Cologne Institute for Economic Research. "It will exert force on the other countries, not least Slovakia and Finland, when Germany can move ahead without obstacles."

Investors clearly saw reason for optimism that broader agreement could be found among the 17 countries of the euro zone. European stock indexes closed sharply higher after the ruling.

The court rejected three appeals against the legality of earlier bailouts, which have stirred a furious political debate among Germans. The suits had been brought by a coalition of German lawmakers, economists and business executives who argued that Germany's participation in loans and support funds for Greece undermined Parliament and infringed on constitutional provisions underpinning the country's democracy.

The court's president, Andreas Voßkuhle, warned that the ruling did not represent a "constitutional blank check for additional rescue packages." The court required the government to seek the approval of Parliament's budget committee before making money available for future bailouts of

GERMANY, PAGE 18



MARKUS SCHREIBER/AP

Chancellor Angela Merkel in Parliament on Wednesday. "Germany's future is inseparable from Europe's future," she said.

### U.K. HESITATES ON BANK OVERHAULS

With the economy faltering, Prime Minister David Cameron fears changes could raise banking costs. PAGE 15

# Court backs Berlin on euro zone rescues

GERMANY, FROM PAGE 1

European countries struggling under mounting debt burdens.

The requirement of approval by the budget committee could still hamper Mrs. Merkel's ability to take quick measures in the future, but represented much less of a political hurdle than if the court had required approval by the full Parliament for each decision, which many analysts had predicted.

For now the chancellor seems more concerned with winning passage of the deal reached between European leaders in July to expand the bailout funds. Mrs. Merkel is hoping that the approval of the court, with its high public standing in the eyes of Germans, helps her put down a rebellion in her own coalition over the measure. The vote is expected on Sept. 29 and numerous legislators from her party have threatened not to support the increase, which would raise Germany's share to €211 billion, or \$297 billion.

The Constitutional Court, despite its distance from Berlin, or perhaps because of it, is consistently found to be the most respected part of the German government. Analysts say that Germans have a deep respect for judges and the judiciary, and the court has rarely been shy in wielding its power. The court declared in a ruling in 2009 on the Lisbon Treaty that it had jurisdiction to overturn European policies, rules and decisions it finds unconstitutional.

"In Europe, there is no constitutional court stronger or more visible in the public sphere and political landscape than the German constitutional court," said Matthias Herdegen, director of the Institute for Public Law at the University of Bonn. "Even those opposed to certain steps feel it is an organ that responds to their concerns and that's an enormous contribution to the legitimacy of the German political process."

Yet the very fact that the fate of the euro rested on the shoulders of eight judges in red robes and caps in the southwestern German city of Karlsruhe was a stark reminder of the splintered nature of decision making within Europe that has allowed the crisis to fester and spread — and therefore why strong leadership is so desperately needed.

Euro zone policy is often viewed as a simple matter of coordination between Paris and Berlin, but even the smallest states have the ability to derail agreements. Finland has thrown the Greek bailout into confusion by demanding collateral from Athens in exchange for new aid. The speaker of the Parliament in Slovakia has said that he would not bring the European bailout fund to a vote this month as planned, raising questions in the process over why a small, poor country like his should pay for the free-spending ways of the better-off Greeks.

At the same time the ability, and indeed the willingness, of states like

---

**The ruling, the top judge warned, does not represent a "constitutional blank check for additional rescue packages."**

Greece and even Italy to rein in spending and get their deficits under control have been viewed with increased skepticism. That in turn reduces the appetite of rich states to guarantee more of their debts, even if the refusal jeopardizes the euro.

"The court ruling removes a substantive obstacle, but there's no doubt that the situation still looks pretty grave," said Simon Tilford, chief economist at the Center for European Reform in London. The underlying problems of heavily indebted states and weak, undercapitalized banks still have to be addressed to find a long-term solution, he said.

In Parliament on Wednesday, Mrs. Merkel renewed her opposition to the idea of jointly issuing debt in the form of so-called euro bonds, debt backed by the entire euro zone, as a means of solving the debt crisis. "Euro bonds are the way to a union of debtors," she said, calling the idea "the wrong answer. That is why we will not go down this route."

---

*Alan Cowell reported from Paris. Judy Dempsey and Victor Homola contributed reporting from Berlin, and Jack Ewing from Frankfurt.*