



Written by [John Larabell](#) on July 5, 2012

German Court May Rule Bailouts Unconstitutional

Proponents of the eurozone, along with other globalists and Keynesians, were no doubt ecstatic when Germany acquiesced after months of pressure and ratified a massive eurozone bailout package. At the eurozone summit on June 29, the German government finally [approved](#) the European Stability Mechanism, or ESM — a permanent European bailout fund. This will take the place of the European Financial Stability Facility, or EFSF (the temporary bailout fund in effect until next summer).



Ostensibly, the ESM will allow economic planners to “save” the eurozone by burying debtor nations under mountains of fiat currency, stimulating their economies and ushering in a new era of financial stability. This would, of course, drive Europe closer to full financial and economic union, which has long been the dream of the globalist elite.

Alas, the partying may be premature. As [noted in](#) *Der Spiegel*:

The German parliament had barely approved the permanent euro rescue fund and the fiscal pact on Friday when opponents of the measures [filed requests](#) for a temporary injunction with the German constitutional court. On Monday, the court announced it will hear the complaints on July 10.

Apparently there is a significant amount of opposition to the decision within Germany itself. The fact that temporary injunction requests were filed the same day that the ESM was ratified is noteworthy and illustrates the urgency of the situation for many Germans. According to *Der Spiegel*, [plaintiffs](#) include the parliamentary group of the left-wing Left Party, the conservative Bavarian politician Peter Gauweiler, and an association called “More Democracy” which has 12,000 co-plaintiffs.

German Chancellor Angela Merkel has [come under fire](#) herself for her decision to approve the ESM. *Der Spiegel* reports:

Although the passage of the two measures in the parliament was seen as a victory for German Chancellor Angela Merkel, it came at a high price. The opposition center-left Social Democrats and Greens demanded that Merkel support a growth pact for Europe to complement the fiscal pact on budgetary discipline, one of the cornerstones of the chancellor’s strategy to fight the euro crisis. In addition, Merkel had to make concessions to Italy and Spain at last week’s European Union summit in Brussels, which have earned her criticism from within her own center-right camp.

The issue at stake is whether or not transferring more power to centralized eurozone financial institutions is in Germany’s best interests. The Constitutional Court, or *Bundesverfassungsgericht* (Germany’s version of the U.S. Supreme Court), could issue a temporary injunction against the ESM while it examines the constitutionality of the bailout scheme. German president Joachim Gauck has already permitted the Court to investigate the matter, which led to a delay for the program of at least three weeks. Further delays could be longer, or could even completely overrule the legislation despite approval by the German legislature. In fact, the Court has already made [rulings](#) hinting at this outcome.



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According to *Business Insider*,

This is not the first time that the German Constitutional Court has threatened to smash plans for European institutions. Last fall, it examined the legality of the Greek bailout, ultimately upholding the measure.

At that time, it also argued that *permanent* bailout funds — like the European Stability Mechanism — might actually impinge upon German sovereignty because it is a permanent plan. [Emphasis in original.]

The importance of this decision can hardly be overstated, as the future of Germany and the euro hangs in the balance. If the Court approves the ESM, Germany will incur massive expenditures bailing out her southern neighbors. If the *Bundesverfassungsgericht* rules that the ESM is unconstitutional, this could lead to the breakup of the eurozone, as several member nations would likely default. This would be catastrophic for Germany, since she has so much credit exposure to the troubled nations already. Either way, hard times may be ahead for Germany.

In the final analysis, it would most likely be better for Germany to preserve her sovereignty, reject the ESM, and risk a possible eurozone collapse. While the ESM may bring the fiscal union that globalists have long desired for Europe, the plan is still based on flawed Keynesian principles that lead to the debasement, and ultimately collapse, of the currency. While Germany would suffer from a breakup of the eurozone, if she is allowed a return to free-market principles the pain would be short-lived, and, as was the case after WWII, a vibrant economy would quickly follow.

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