

Greece in the dock at high German court



'Greece should return to the drachma'

Interview with Joachim Starbatty*



Wilhelm Hankel, Wilhelm Noelling, Albrecht Schachtschneider and Joachim Starbatty (L-R).



Perpetuating a stereotype of 'horrid' Greeks

By Antonis Karampatzos*

Athens News: What motivated you to file a lawsuit against the financial aid provided to Greece?

Joachim Starbatty: I was often asked if I wished onto Greece a financial disaster by filing a lawsuit against the financial aid to Greece. Quite the contrary. By ruling out the no-bailout clause, the breaking of the Lisbon treaty - admitted openly by Christine Lagarde, the French minister of finance - was a rescue operation of the European creditor banks and has pushed Greece deeper in its trap of indebtedness. We recommend instead that Greece returns to its traditional currency, the drachma, for some time in order to regain international competitiveness by devaluing its own currency. Thus Greece can substitute its lack of internal purchasing power by external purchasing power - for example, by pushing tourism.

German Finance Minister Wolfgang Schäuble said that the euro is a guarantor of Germany's continued economic success and that the euro's defence is part of Berlin's obligation to an EU that offered Germany a way out after the Second World War. Do you agree with this view?

Schäuble's speech last week was an attempt to explain to the German public why further payments for Greece are necessary. The euro is only a guarantee of economic success if the exchange rate in the currency union reflects an economic equilibrium. If not, then any currency union would explode or evolve into a transfer union. The obligation of the German government to Europe is not to throw more money into an open hole, but to stabilise the base of the common currency by sound economic measures.

What do you think triggered the Greek crisis in the first place?

I think the 'easy money' policy of the European Central Bank since 2002 was catastrophic for all countries on the periphery of the eurozone. In all these countries the real interest rate was below zero during 2002-2006 - the central bank rate was 2 percent in comparison with the increase of the harmonised price index of consumer goods. So politicians and people were misled into excessive indebtedness, the overall economic structure was distorted by bubbles and all these countries lost their international competitiveness. So Greece is only the most remarkable case.

In 1998, you and three other academics filed an unsuccessful lawsuit against the introduction of the euro with Germany's constitutional court. Why do you think your efforts will succeed this time?

We filed a lawsuit against the introduction of the euro since a lot of candidates, not just Greece, had not fulfilled the so-called convergence criteria. We have argued that if these criteria are not fulfilled from the very beginning, we cannot expect that the member countries will comply with their financial obligations after the establishment of the eurozone. The reality has confirmed our complaint. We are fighting for a Europe where every country is an esteemed member of the European Union and not only subject to decisions of foreign experts.

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As Germany's highest court is about to examine a suit challenging the legality of eurozone bailout packages, one of the plaintiffs and a Greek legal expert give their viewpoints on the case

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GERMANY'S constitutional court on July 5 will begin hearing a lawsuit against the aid provided to Greece and eurozone rescue packages in general, filed last July by a group of five Eurosceptics led by economist Joachim Starbatty. According to the plaintiffs, the financial help package for Greece runs contrary to article 125 of the EU Treaty - the so-called no-bailout clause - which does not allow the EU or a member state to undertake the responsibility of covering the debts of another member state.

Since it was approved in the German parliament, the law for ratification of the aid packages falls under the jurisdiction of the constitutional court, Germany's highest court, based in Karlsruhe. The court has not provided any information about the duration of the hearing nor the verdict date.

"The German constitutional court will discuss the break of the no-bailout clause, the inflationary bias of purchasing government bonds by the European Central Bank, the danger of uncontrollable financial obligations and the rights of national parliaments of both debtor and creditor countries", Starbatty explained to the *Athens News*. The German professor argued that the troika has pushed Greece deeper into a trap of indebtedness and suggested that Greece should return to its previous currency, the drachma, for some time.

"We consider it highly unlikely that the court would really risk triggering a dramatic European crisis by ruling outright that conditional support loans for the periphery violate the German constitution," Holger Schmieding, an economist at Berenberg Bank, told Reuters. He noted, however, that the court may perhaps back a demand by mainstream parliamentarians that the German parliament be granted de facto power of a veto over support loans to be disbursed under the European Stability Mechanism.

agreement that had already been reached between the political leaders of the EU.

Whatever the outcome of this dispute might be, one thing is sure: the verdict of the constitutional court will affect the political scene in Germany as well as in Europe. This is not only because of the great importance of the case itself, but also because of the status of this court, whose decisions are always treated as landmarks in European jurisprudence.

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THE FIVE German academics who have appealed to the Federal Constitutional Court of Germany (Bundesverfassungsgericht) against the financial aid that is currently given to Greece maintain that in fact the EU, the ECB and the IMF are trying to save the European banks that hold Greek bonds by resorting for this purpose to the money of the German taxpayers, who thus pay the debts deriving from the "luxurious lifestyle of the horrid Greeks".

The academics are actually re-producing a stereotype that permeates the whole German society nowadays and was initiated in the past by the German press - by *Bild* daily in particular - as well as by German Chancellor Angela Merkel herself, who wanted to address more effectively the conservative wing of her political party.

This time, however, the difference is crucial: the above-mentioned stereotype is reiterated by academics and, in addition to that, is being brought before the highest court of Germany.

Professor Starbatty is a well-known Eurosceptic. In the past he has also acted against the adoption of euro; this is the reason he became a member of a political party that defended the "D-Mark". Nowadays he is focusing on the financial help to Greece. Paradox though it may seem, Professor Starbatty claims that by his recent legal action he wants to protect not just the EU, but Greece as well.

In strictly legal terms, the appeal brought before the constitutional court of Germany initially had a serious problem to face, since a citizen may lodge an appeal with this court only if there is a violation of an individual right that is recognised by the German constitution - and the above-mentioned no-bailout clause does not constitute such a right. In addition, the constitutional court in general lacks the power to refer a case to the Court of Justice of the European Union, which is, in principle, the competent authority for violations of the EU Treaty.

Nevertheless, the constitutional court did not reject a priori the appeal; instead, it sent it to the federal government to express an opinion on the case. The government, on its part, did not play down the importance of the case and did express its opinion, claiming that the help mechanism aims at preserving the stability of the eurozone and, therefore, serves fundamental German interests.

The government also stressed the fact that the German parliament was not bypassed - as the five academics suggest - but, on the contrary, gave its consent to the help mechanism, although this admittedly happened by means of an "emergency session". Thus the German MPs did not get a chance to influence the context of the political