

Mixed Reaction to Europe's Talk of Bolstering a Bailout Fund
The New York Times
September 26, 2011

Chancellor Angela Merkel of [Germany](#) rejected the idea of a Greek default, telling a television interviewer late Sunday that such an event could deliver a shock to the financial system similar to the collapse of Lehman Brothers in 2008.

"We can only take steps that we can really control," she said on ARD, a public broadcaster. If Greece touched off another financial crisis, she said, "then we politicians will be held responsible."

Under one option being discussed, the bailout fund would be able to absorb losses sustained by the European Central Bank on its purchases of Greek and other government bonds, according to an European Union official who spoke on the condition of anonymity, citing the delicacy of the issue.

There is, one official said, no preferred model and it remained unclear whether such moves would be possible without further legal changes. Some officials say they think such steps could be constitutionally difficult, particularly in Germany.

"Further enhancement could require treaty reform," said the European Union official.

Resistance to new plans to strengthen the rescue fund might also be forthcoming from the central bank, which has been trying to reduce its bond-buying program.

Attention will focus this week on Greece and negotiations on the release of the next portion of international aid, worth 8 billion euros. Without the money, Greece would default next month.

A mission by officials of the European Commission, the European Central Bank and the International Monetary Fund was expected to leave for Athens this week. Mr. Altafaj-Tardio said that a decision on the release of the next aid installment was not expected by the time euro zone finance ministers meet next Monday.

Opposition to more aid to Greece remains deep in Germany among the public, mainstream economists and the president of the German central bank, Jens Weidmann.

Speaking in Washington on Monday, Mr. Weidmann said that aid had already weakened incentives for countries to behave responsibly.

"Contrary to what is actually needed in order to overcome the sovereign debt crisis, we risk seeing the propensity for excessive deficits rise even further in the future," he said.

Jack Ewing reported from Frankfurt and Stephen Castle from Brussels. Liz Alderman contributed reporting from Paris and Landon Thomas Jr. from London.

Source: http://www.nytimes.com/2011/09/27/business/global/europe-attempting-stronger-response-to-debt-crisis.html?_r=1&pagewanted=2&ref=global-home