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German Federal Constitutional Court makes right decision on Draghis OMT programme

Reint E. Gropp

I welcome the decision by the German Federal Constitutional Court. The court approved OMT (outright monetary transactions), which enables the European Central Bank (ECB) to purchase short-term government bonds in secondary markets in order to stabilize euro member countries in a crisis. I am relieved that the court realized that the program is limited through the available short-term debt issued by governments and that an ESM program (ESM: European stability mechanism) has to be in place. Hence, risks to the tax payers (in Germany and elsewhere) are limited. In any case, any type of monetary policy imposes risks to national budgets, as any policy may imply gains or losses. The decision reduces uncertainty in markets, which against the backdrop of the British referendum is extremely helpful. The decision enhances the credibility of the ECB and of the common currency.

no press embargo

Press contact
Stefanie Müller
Tel +49 345 7753 720
presse@iwh-halle.de

Scientific contact
Reint E. Gropp
president@iwh-halle.de

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Scientific contact

Professor Reint E. Gropp, PhD
president@iwh-halle.de

Press contact

Stefanie Müller
Tel +49 345 7753 720
presse@iwh-halle.de

Halle Institute for Economic
Research (IWH) – Member of the
Leibniz Association
Tel +49 345 7753 60
Fax +49 345 7753 820

Kleine Maerkerstrasse 8
D-06108 Halle (Saale)
Germany

P.O. Box 11 03 61
D-06017 Halle (Saale)
Germany

www.iwh-halle.de

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