Karlsruhe and the OMT

By Bob Hancké, LSE

I just read this blog post by my colleague Paul De Grauwe on the Karlsruhe ruling. His point is that the judges on the German Constitutional Court profoundly misunderstand the political economy of central banking, and therefore see problems where none exist. In essence, his point is, a central bank does not run the risk of bankruptcy, which implies that its balance sheet is not subject to the same rules as those of commercial banks.

Very interesting piece, which raises the question if and how some expertise could be introduced into important verdicts such as these. Sadly, as the comments on the piece show, a lack of understanding of central banks is not confined to the region of Karlsruhe.