


Rusnok and the Great Devaluation

One of Miloš Zeman's favorite lines for criticizing the Czech National Bank used to be that it devalued the crown so that it could delay adoption of the euro and thereby extend its authority as a national central bank. This was a nonsensical argument, because the [Great Devaluation of the Czech Crown](#) (as we dubbed it) and the pegging of the currency at Kč 27 to the euro in fact stripped the CNB of its independent monetary policy. The CNB is now entirely dependent on the quantitative easing of the European Central Bank. As the ECB devalues the euro on an absolute basis by printing money to buy bonds, the CNB does the same thing to the crown. The CNB governor and his board are merely executors of the current central-bank policy prevalent in the West of purchasing GDP growth by printing money. The true question as Jiří Rusnok takes over as the chief "devaluator" is whether it's possible to taper such a Ponzi scheme. Is a graceful exit from the CNB's currency intervention at all possible, or does it only happen when the entire Western financial system implodes?

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