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Bond purchases & devaluations



The [decision yesterday of the German Constitutional Court](#) to demand a "proportionality assessment" from the European Central Bank with regard to its bond-buying program has no legal impact on the Czech National Bank, but it does raise similar questions about the CNB's devaluation of Nov. 2013. The German Court ruled that by unconditionally pursuing its monetary-policy and inflation-targeting objectives, the ECB ignored the economic effects of its more than €2 trillion purchases of government debt. There should have been a balancing of the two, the Court ruled, because the bond purchases helped the banks while imposing considerable losses on the savings of private citizens. The CNB can, and no doubt will, argue that it isn't subject to any principle of proportionality. If the banks and oligarchs profited the most from the devaluation, that was merely a side effect of its constitutional duty of assuring price stability. After yesterday's ruling, this sounds a bit thin, doesn't it?

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