

The European Central Bank's OMT Programme is unlawful and economically amiss

A few weeks ago a significant number of European and American „professional economists“ – including a small minority of German university professors – have issued a public defence of the ECB's buying of government bonds. In contrast, the supporters of this statement – 136 German professors of economics – hold that the arguments put forward are not valid. Moreover, in our view the ECB's bond acquisition is unlawful.

Article 123 Treaty of Lisbon forbids the ECB the direct “purchase of debt instruments” from governments of Member States. The article clarifies that monetary finance of governments is inadmissible. While a purchase of bonds in secondary markets is permitted, it must serve monetary policy goals (e.g. short-run money market balance) not government finance. If monetary policy were its focus, the ECB would buy the representative bond portfolio, including sovereign or private debt from all member states. But this is not the policy. Instead the ECB concentrates on buying the bonds of overindebted member states. This is money finance of governments.

Money finance of governments is rightly prohibited because it endangers the central bank's independence from governments. The central bank's duty is maintaining price stability, it is not reducing the sovereign risk premia member states have to pay in bond markets.

The authors of the above-mentioned defence of the ECB's bond purchase programme disapprove of any interference by the Bundesverfassungsgericht, the German constitutional court. They assert this to be incompatible with central bank independence. We counter: As anyone the ECB is bound to observe the law! The Treaty requires independence from politics. But the ECB is not independent if it is ready to finance member states' budget deficits.

Supporters:

Hanjo Allinger, Gerhard Arminger, Philipp Bagus, Ingo Baren, Hanno Beck, Tilman Becker, Dieter Bender, Volker Bergen, Norbert Berthold, Martin Biewen, Charles B. Blankart, Ulrich Blum, Friedrich Breyer, Martin-Peter Büch, Walter Buhr, Rolf Caesar, Volker Caspari, Frank Daumann, Dietrich Dickertmann, Klaus Diller, Juergen B. Donges, Axel Dreher, Norbert Eickhof, Mathias Erlei, Ulrich Fehl, Cay Folkers, Siegfried F. Franke, Jan Franke-Viebach, Wilfried Fuhrmann, Werner Gaab, Gerhard Gehrig, Robert Götz, Wolf-Heimo Grieben, Thomas Gries, Heinz Grosseckler, Erich Gundlach, Gernot Gutmann, Gerd Habermann, Wilhelm Hankel, Gerd Hansen, Burkhard Heer, Carsten Herrmann-Pillath, Klaus Jaeger, Thomas Jost, Leo Kaas, Roland Kirstein, Henning Klodt, Rainer Knigge, Michael Knittel, Andreas Knorr, Ulrich Koester, Hans-Martin Krolzig, Jens Krüger, Jörn Kruse, Britta Kuhn, Rainer Künzel, Franz Peter Lang, Enno Langfeldt, Martin Leschke, Hans-E. Loef, Bernd Lucke, Helga Luckenbach, Reinard Lüdeke, Gerald Mann, Matthias Messner, Dirk Meyer, Georg Milbradt, Joachim Mitschke, Hans G. Monissen, Holger Mühlkamp, Hubertus Müller-Groeling, Hans Heinrich Nachtkamp, Manfred J.M. Neumann, Peter Oberender, Renate Ohr, Rolf Peffekoven, Hans-Georg Petersen, Wolfgang Pfaffenberger, Wilhelm Pfähler, Ingo Pies, Thorsten Polleit, Bernd Raffelhüschen, Olaf Rank, Hayo Reimers, Stefan Reitz, Rudolf Richter, Wolfram F. Richter, Gerhard Rösl, Horst Rottmann, Gerhard Rübel, Karlhans Sauernheimer, Wolf Schäfer, Klaus-Werner Schatz, Joachim Scheide, Horst Schellhaaf, Jörg Schimmelpfennig, Michael Schmid, André Schmidt, Dieter Schmidtchen, Gunther Schnabl, Wolfgang Schöhl, Siegfried Schoppe, Jürgen Schröder, Alfred Schüller, Christian Seidl, Franz Seitz, Friedrich L. Sell, Jürgen Siebke, Hans-Werner Sinn, Sybille Sobczak, Rüdiger Soltwedel, Peter Spahn, Joachim Starbatty, Thomas Steger, Viktor Steiner, Manfred E. Streit, Wolfgang Ströbele, Theresia Theurl, H. Jörg Thieme, Peter Trapp, Stefan Traub, Ulrich van Suntum, Roland Vaubel, Stefan Voigt, Uwe Vollmer, Hermann von Laer, Hans-Jürgen Vosgerau, Adolf Wagner, Lothar Wegehenkel, Gerhard Wegner, Rafael Weißbach, H.-Dieter Wenzel, Rainer Willeke, Manfred Willms, Artur Woll, Achim Zink

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