

## Lack of collateral will stop euro flows

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*From Dr Guntram Wolff.*

Sir, Martin Wolf ("[Intolerable choices for the eurozone](#)", Comment, June 1) and Hans-Werner Sinn have demonstrated how the eurosystem has made up for the flight of capital from peripheral eurozone economies and thereby allowed for continued current account deficits. This led to the build-up of large net claim positions in the internal bookkeeping system of the eurosystem "target-2".

Let me make two remarks. First, the net claims of €325.5bn of the Bundesbank are not a risk for the German central bank itself. Any loss from monetary operations in the case of a default of banks and the given collateral would be distributed among the euro area central banks according to the European Central Bank capital keys. The loss to the German taxpayer would thus amount to "only" 28 per cent of the total loss. Second, the current flows do not reduce the liquidity available to banks in Germany. On the contrary, German banks are recipients of large capital inflows from the peripheral eurozone economies which they deposit with the Bundesbank. National central banks of the periphery in turn substitute the capital outflow.

Ultimately, the flows via the eurosystem will have to stop because of the lack of collateral available in the periphery.

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