Central Bank Losses – The Case of the Bundesbank after the Breakdown of the Bretton Woods System

Pontzen/ Schobert
Bretton Woods
The Stability of the D-Mark in Comparison
Nixons Announcement

- On Sunday, 15 August 1971 U.S. President Nixon announced in a televised address to the nation without warning the other capitalist powers that the U.S. had removed the gold backing of the dollar. The obligation to exchange the U.S., international dollar holdings at a fixed rate of $35 per ounce, had previously formed a central pillar of the postwar financial system that was agreed on the Bretton Woods Conference in 1944. Nixon's unilateral announcement in effect gave it an end.
The End of Bretton Woods

Currencies against USD

- Japan
- Germany
- UK
- France
- Italy

↑ Appreciate
↓ Depreciate

BW system ends
Theoretical view
(text book)
Appreciation Pressure
Free Liquid Reserves & Liquidity Ratio

Liquidity ratio: Free liquid reserves of credit institutions as % of their deposit volume (sight, time and savings deposits – other than assets with a maturity of 4 years and more – held by non-banks and foreign credit institutions).

Central Bank Losses at the Bundesbank
Thank you for your attention!