

Germany moves against short sellers

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[FT.com / Europe - Germany moves against short sellers.](#)

I [wrote about short selling](#) and the danger it causes a few days ago and the right wing blogosphere - blinkered to a man (are there any right wing women?) - led by Tom Worstall (as usual) responded with the usual claims that a) I had no clue on the issue b) there was no problem c) there were no consequences.

They are, of course, completely wrong. If you assume markets are efficient and allocate resources perfectly - as these bloggers do - then of course the outcome is always perfect. The reality is that markets are hopelessly inefficient much of the time - because they work on imperfect and not perfect information - and as a result the damage caused is substantial.

I'm pleased to see that despite the alleged error of my ways Germany agrees. As the FT notes:

German authorities on Tuesday night cracked down on what Berlin views as destabilising speculation in the financial markets by implementing a partial ban on naked short-selling of certain stocks.

The German action against [naked shorting](#) — or selling securities such as shares and bonds that are not owned or borrowed — comes amid heated discussion in Europe of regulatory curbs on speculative trading, which has been widely blamed by politicians for exacerbating the Greek debt crisis.

Bafin, Germany's financial regulator, said the ban was needed because of the "exceptional volatility" in eurozone bonds and the considerable widening of spreads on credit default swaps. Large-scale short-selling could have "endangered the stability of the entire financial system", Bafin said.

Quite.

I rest my case.