Interest benefits from the debt crisis to the German budget: updated calculations

In an updated calculation, IWH researchers could provide further evidence that interest benefits to the German budget arise indeed also from the “flight-to-safety-effect” and are not just effects from the low interest environment more generally. With a refined methodology they obtain interest savings to the German budget of just under 90 billion Euro.

In a previous note, IWH researchers have suggested that due to “flight to safety” effects, Germany was able to issue government debt at lower rates than otherwise would have been possible. The total savings was calculated to be around Euro 100 billion or about 3 percent of German GDP. In the new calculation, the counterfactual scenario that allows calculating these savings could be improved so that it reflects exclusively flight to safety effects and not the low interest rate environment more generally that could be attributed to monetary policy and other factors.

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Scientific contact:
Professor Reint E. Gropp, PhD
Phone: +49 7753 700, E-mail: president@iwh-halle.de
Professor Dr Oliver Holtemöller
Phone: +49 7753 800, E-mail: oliver.holtemoeller@iwh-halle.de

Press contact:
Stefanie Müller
Phone: +49 345 7753 720, E-mail: presse@iwh-halle.de

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