Transcript: Who benefits from economic growth? - The Macroeconomics Department at DIW Berlin

[German video, English subtitles]

Alexander Kriwoluzky: The German Government is going to take on a lot of new debt. Is that a good thing? Who will repay it? How should the money be invested? Who in society will benefit – poorer or wealthier households? These are the questions addressed by the Macroeconomics Department at the DIW (German Institute for Economic Research). For over 100 years, the Macroeconomics Department at the DIW has been conducting cutting-edge research. Founded in 1925, we have never relinquished our focus on business cycle research. Over the decades, DIW researchers have played a key role in developing and advancing the methods of business cycle research. Today, a particular focus of our forecasting is on the question of distribution.

Geraldine Dany-Knedlik: The fundamental methods used in the DIW Economic Forecast are, on the one hand, econometric, i.e., empirical statistical models that enable us to quantitatively project and forecast time series. On the other hand, there are theory-based, identified macroeconomic models that we can use to evaluate certain shocks or policy measures in terms of their effects on the economy as a whole.

Alexander Kriwoluzky: After all, it is important to know who benefits first when the economy grows—and sometimes it is even more important to know who loses the most when it shrinks. With a young, dynamic team, we develop models to determine the impact of the stimulus packages implemented in response to the energy price crisis on the overall economy and income distribution, and to advise policymakers accordingly.

Geraldine Dany-Knedlik: What I personally find particularly appealing about forecasting is the challenge of assessing and interpreting acute economic or economic policy developments in a very short timeframe and providing recommendations for action. For example, if a tariff increase is announced by the US and comes into effect very soon, we have to calculate, analyze, and prepare an estimate of the overall economic effects in Germany within a very limited timeframe. Assessing and analyzing all of this in the shortest possible time is what I find particularly exciting.

Alexander Kriwoluzky: All of these methods and this knowledge go into our Economic Forecasts. We compile enormous amounts of data, identify risks, opportunities, and trends. We analyze, forecast, and advise. In this way, we support our society and politics in mastering the challenges of the future.