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George Soros is wrong: eurobonds would not resolve the debt crisis, as shows a study on all euro countries

If eurobonds were used, Germany would have to pay 200bn euros more in interest rates within 10 years and take on 62% of the additional costs

Even by introducing eurobonds, the euro crisis will not be resolved. The analysis carried out by the financial services website GELD.de (0.3 million users per month)* in collaboration with BÖRSENNEWS.de (0.4 million users per month)** showed this very clearly. Although American speculator George Soros says otherwise, the eurozone countries in crisis will not be able to balance their budgets in the least, even if the collective loan was introduced. Greece's current national debt is more than 300bn euros. But eurobonds would “only” generate a relief in interest expenses of about 84bn euros within ten years, taking in consideration Greece's current issuance volume (see attached table for details on all euro countries).

If eurobonds were introduced, the seven most stable euro countries, which pay on average 2% in interest rates when selling government bonds in order to balance their budgets, would have to pay interest rates of 3.65% in the future. The difference in percentage may not seem much but looking at the absolute numbers, it means a giant redistribution – additional costs of 323bn euros would incur within ten years. In addition, this would mean nothing else but Germany being not only the paymaster for the euro bailout fund but also for the eurobonds. The calculation was based on the investment period 2014 to 2024.

Countries losing out with eurobonds

In an investment period of 10 years, Germany, France, the Netherlands, Austria, Belgium, Finland and Luxembourg would have to pay a hefty total of 323bn euros more in interests to investors than today, according to calculations by GELD.de and BÖRSENNEWS.de. An unbelievable 62% of those 323bn euros of additional interests resulting from the collective European loan would have to be paid by Germany, or rather the German tax payers (see attached table). That makes 200bn euros in 10 years. The small country of Luxembourg, whose head of state Jean-Claude Juncker hopes to include Germany in the eurobonds, would have to pay a mere 600m euros in interests within 10 years for selling bonds, which is an average of 60m euros per year (a share of 0.2%). France would have to pay a third of the German amount, which is 64bn euros in 10 years or about 6bn euros a year.

No wonder that more and more French politicians, especially in the socialist camp, start “thinking about” introducing eurobonds, as the burden of a eurobond that treats all euro countries the same would affect them two-thirds less than Germany. Another eurobonds paymaster would be the Netherlands. Over a period of ten years, they would have to pay 25bn euros more in interests of collectively sold government bonds. Austria would also take part with 13bn euros.

Countries on the receiving end of eurobonds

The countries that would profit from an abolition of government bonds would be Malta, Cyprus, Slovakia, Slovenia, Ireland, Portugal, Spain, Greece and Italy. Taking their current bond issuance into account, they would have to pay 361bn euros less in interests within a period of ten years. Instead of the previous average bond interest rate (weighted) of 6.1%, they would only have to pay 3.65%. This does not sound much either but it is when looking at the absolute numbers. Italy would profit most from eurobonds with a relief in interest expenses of 170bn euros in ten years, followed by Greece (84bn euros), Spain (55bn), Portugal (37bn), Ireland (11bn), Slovenia (1.5bn), Slovakia (1.1bn), Cyprus (about 1bn) and Malta (16m).

Conclusion of the GELD.de and BÖRSENNEWS.de study: It is nothing less but demagogy when speculator George Soros pretends that eurobonds would resolve the problems of the eurozone and that Germany was guilty of standing in the way of helping euro countries in crisis to balance their budgets because it refuses eurobonds. The call for Germany to leave the eurozone is equally unacceptable. The calculations of the supposed additional costs and savings produced by eurobonds are explained in the footnote of the attached table.

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Why is there a difference between the additional costs for some countries and the relief in interest rates for other countries instead of a zero sum?

Sebastian Hahn, editor in chief of BÖRSENNEWS.de, and Oliver Haugk, financial expert, explain this phenomenon:

“We want to answer this question by using a simple example. As a basis, we take two countries with invented figures:

- Germany would take out a loan of 100bn euros in 2014. It has to pay the eurobond interest rate of 3.65%, which means paying 2.15 percentage points more interests than now. The additional costs amount to 2.15bn euros.
- At the same time, Spain takes out a loan of 500bn euros and saves 2.05 percentage points in interest rates because the eurobond interest rate is profitable for Spain. This leads to savings in interests of 10.25bn euros.
- In this case – as represented in the table – the amount of savings is higher than the additional costs.
- A zero sum of savings and additional costs would occur only if all euro countries would convert their debts in eurobonds and if the ratio between debt and performance would be exactly the same for all countries. Otherwise the countries with less debts sustain the eurozone countries with higher debts free of charge as they are also always liable with their assets for the countries in crisis."

Interest expense for eurobonds
GELD.de Entdecke Dein Sparpotential | börsenNEWS.de
200bn euros more for Germany with eurobonds having a maturity of 10 years

Country	Average interest rate Jan 2012 - Feb 2013	Additional costs / savings with eurobonds (maturity: 10 years)	Share of costs and savings in percent (Germany would bear 62% of the extra costs)
Countries with additional costs within 10 years in case of eurobonds (DEU to LUX)			
Germany	1.5%	199,434,982,964€	62%
France	2.5%	64,159,104,500€	20%
Netherlands	1.9%	25,304,180,214€	8%
Austria	2.3%	12,982,892,186€	4%
Belgium	2.9%	10,874,044,907€	3%
Finland	1.9%	10,143,675,750€	3%
Luxembourg	1.8%	600,925,000€	0.2%
Average/Sum	2.0%	323,499,805,521€	
Countries with savings within 10 years in case of eurobonds (MLT to ITA)			
Malta	4.1%	-16,047,600€	0.0044%
Cyprus	7.0%	-949,931,789€	0.3%
Slovakia	4.5%	-1,082,452,821€	0.3%
Slovenia	5.7%	-1,539,482,857€	0.4%
Ireland	5.9%	-11,299,927,644€	3%
Portugal	9.9%	-37,443,770,114€	10%
Spain	5.7%	-55,364,740,307€	15%
Greece	20.9%	-84,209,304,286€	23%
Italy	5.3%	-169,767,984,593€	47%
Average/Sum	6.1%	-361,673,642,012€	
EU average	**3.65%**		

Source / calculation: GELD.de in cooperation with BÖRSENNEWS.de using data of ECB, Eurostat, SIX Financial Information.
The average national yields of 10 year government bonds have been calculated based on the individual figures per month for the period of January 2012 to February 2013. Those figures are taken as yields of government bonds in the period of 2014 to 2024.
The assumed eurobonds yields equate to government bonds yields with a maturity of 10 years for all euro countries (according to Eurostats).
The yearly issuance volume for the period of 2014 to 2024 is based on the assumption that ending government bonds will be replaced by newly issued eurobonds in each individual year. New debts or a consolidation of debts independent from eurobonds were not taken into account.
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About GELD.de und BÖRSENNEWS.de

*GELD.de (0.3m users in February 2013, according to German media research company AGOF) is one of the leading financial websites in Germany. The world of finances is neatly classified in insurances, construction financing, investments, loans and taxes. Börsennews.de is one of the leading European websites informing readers about investments and the stock exchange.

**BÖRSENNEWS.de (0.4m users, AGOF February 2013) is the website on stock exchange of Unister GmbH, which has been founded in 2002 and today employs a workforce of about 1,900. Unister is growing constantly. The headquarters are located in Leipzig while branches exist in Berlin, Hamburg, Dresden, Chemnitz, Munich, Jena and Magdeburg.

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