Economics Department
London, 00:01 Wednesday 12th October 2016

"HELICOPTER MONEY" MIGHT NOT TAKE OFF

- If given helicopter money, only a quarter (26%) of consumers would spend most of the windfall
- Saving the money instead proves twice as popular (52%)
- More than half (54%) of European consumers nevertheless think helicopter money would be a good idea

One form of radical monetary stimulus being considered if European growth and inflation remain low would not be as effective as some economists hope, according to a new report.

In what is believed to be the first study of its kind, the *ING International Survey special report – Helicopter Money* asked nearly 12,000 consumers how they would respond to so-called *helicopter money*, a form of stimulus that involves central banks giving money directly to consumers in order to promote spending.

The policy starts out with a central banking 'creating' money that is provided to households or to the government. Governments can use the money to stimulate the economy by increasing spending or cutting taxes.

Only a quarter (26%) of consumers in the 12 European countries surveyed said they would spend 'most' of the money. When asked how much of the pot they would likely spend, the average from all respondents was just under a quarter (24%).

A majority (52%) said they would save it, invest it or leave most of the money in the account it landed in. Fifteen percent said they would lower debt with most of it, suggesting that to bring on the helicopters might not be a very effective way to bring up prices or boost the economy.

The implication of the study is that the policy would have a limited impact on growth, with the authors also noting that the *"exact impulse of growth would (also) depend on multiplier effects"*.

The term *helicopter money* was coined by economist Milton Friedman in a 1969 paper entitled *The Optimum Quantity of Money*. It has been mooted by economists more recently as a step beyond Quantitative Easing, which some argue is more beneficial to the asset-wealthy.

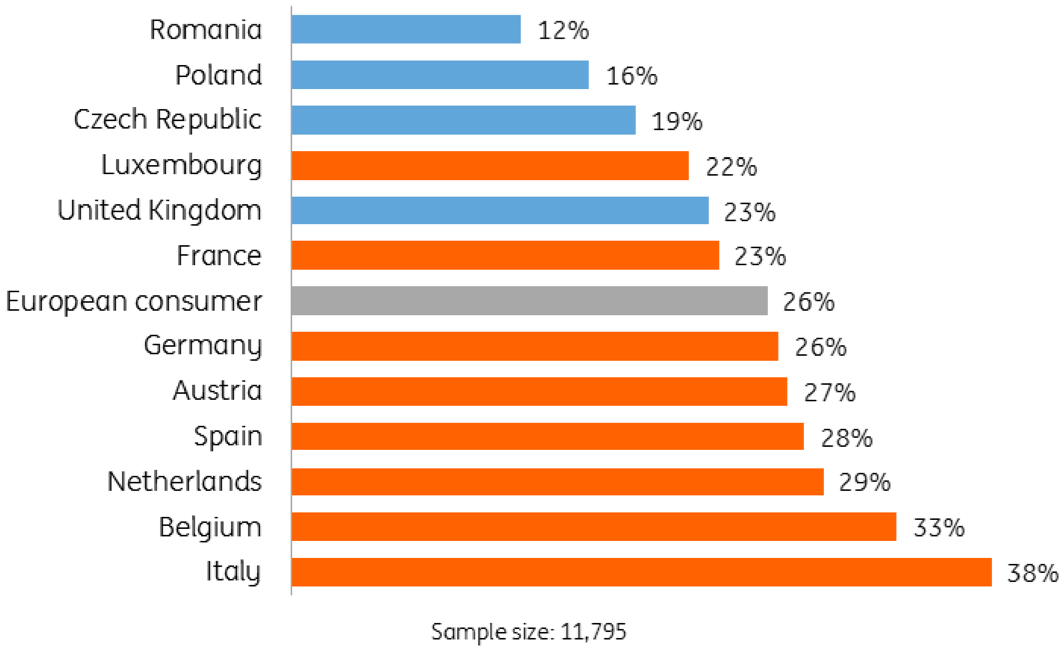
The theory is that, with extra money to spend or fewer taxes to be paid, households would consume more, boosting business activity and employment. Higher inflation expectations could also give consumers an incentive to consume.

Friedman envisaged directly distributing money to communities but other methods of monetary financing such as direct deficit financing, where money is used to finance government spending or to fund infrastructure, are also possible.

Ian Bright, senior economist at ING, commented:
"Despite the positive intention behind helicopter money, our research among consumers in Europe suggests they would spend only a small part of the money handed to them.

"Both direct higher government spending or handing out time-limited spending coupons might be considered as alternatives, although our study did not test their potential effectiveness."

Table 1: "Imagine you received €200 in your bank account each month, for a year. You are free to do what you want with the money and don't need to repay it or pay taxes on it. How would you use this extra money?" – Percentage by country who say they would spend most of the money.



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Note to editors

About the research

The *ING International Survey special report – Helicopter Money* was conducted by Ipsos using internet-based polling. Twelve countries were surveyed: Austria, Belgium, Czech Republic, France, Germany, Italy, Luxembourg, the Netherlands, Poland, Romania, Spain, the United Kingdom. Polling took place between 3 June and 24 June 2016. The full report is available via http://www.slideshare.net/ING/helicopter-money-loved-not-spent.

The ING International Survey is produced three times a year by ING eZonomics. It is about money and life – combining ideas around financial education, personal finance and behavioural economics to produce regular and practical information about the way people manage their money – and how this can affect consumers' lives.

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