In sharp contrast with the pre-1999 period, movements in real interest rates were significantly smaller after 1999, hardly contributing to stabilize national economies. In some cases, changes in real interest rates were even destabilizing.

Figure 2.19. Real Interest Rates and Competitiveness

The graphs show the output gap (left scale), real short-term interest rates (left scale), and real effective exchange rates (right scale) for Germany, France, Italy, and Spain from 1979 to 2003. The figures illustrate the changes in real interest rates and their impact on competitiveness.