Debt occurs mainly because savings need to be intermediated into investment, a key reason why a rise in debt often mirrors underlying saving excesses. The Japanese private sector always saves much more than its desired investment and this entails the government to dissave 5-6% of GDP per year for more than 20 years, financed by debt. This is why Japan’s debt level is over 330%. What is the problem? I don’t see any.

The so called “Austrian school solution” would entail pains that are way beyond “some levels”. The 1930 style “cleansing” is a tragedy resulting from the rigidity of the gold standard and a lack of fiscal Policy to mitigate the shock at the time. We should all be glad that we overcame the similar crisis with much shallower output contraction and far fewer job losses. The 2008 GFC, like its forefather, the Great Depression, all resulted in a massive rise in excess savings, which need to be offset by sharp rate reduction and active fiscal expansion. This is why policy makers have largely done the right thing since 2008, although they they have repeated underestimated the deflationary tendency of the world economy.