Blanchard (2019) notes

* Section 1 argues that safe interest rates being below growth rates allows for new debt issuance and declining debt/GDP and no new taxes.
* Section 2 on whether and when higher debt increases or decreases welfare.
  + In Diamond (1965), if r<g then Hbar is welfare improving
  + Assumes no default risk.
  + Assumes a weighted interest rate across maturities, accounts for differential taxation of foreign vs. domestic debt holders
  + How do equation (1) and the equation before it change if we include default or full confiscation of young income?
    - I think every instance in the paper in which Blanchard refers to “default”, he is referring to an endogenous decision for a government to not pay its accumulated debt. He is not referring to an insolvency condition in which default is forced.

Side notes

* Two really interesting papers looking at the effect of demographics on interest rate spreads and risk premia using OG models.
  + Carvalho, Ferrero, and Nechio (2016), “Demographics and Real Interest Rates: Inspecting the Mechanism,” European Economic Review, 88, pp. 208-226.
  + Mehrotra and Sergeyev (2018), “Debt Sustainability in a Low Interest World.” Unpublished.