

Macro Roundup Article

Headline: [What Is the Ten-Year Real Rate Going to Be? II: Peering at the Future Fundamentals of the Flow-of-Funds Supply-Demand Balance](#)

Article Link: <https://braddelong.substack.com/p/what-is-the-ten-year-real-rate-going-dce>

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Tweet: [@delong finds potential structural factors for higher \$r^*\$ unconvincing and proposes a social explanation, "if people permanently think \$r^*\$ is higher, it is, whether or not there is good reason for their thoughts."](#)

Summary: People are seeing something that is making them more optimistic about the future—and are spending. They think r^* is higher, and if people permanently think r^* is higher, it is, whether or not there is good reason for their thoughts. This is a very, very hard argument to refute, or even to think about. It is that the market-equilibrium interest rate is much more a social fact, without secure grounding in technologies, or in permanent or persistent factors affecting human utilities and behavior, at least as we neoclassical economists think of it. I, at least, can get no purchase on this argument. So I throw it over the wall to the sociologists and psychologists, and hope someone over there catches it. Related: [What Is the Ten-Year Real Rate Going to Be? I: How We Got Here and Why We Should, but Won't, Reduce the Budget Deficit and What Have We Learned About the Neutral Rate?](#)

Primary Topic: Fiscal Deficits

Topics: Financial Markets, Fiscal Deficits, Fiscal Policy, GDP, Op-Ed/Blog Post

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