

## Macro Roundup Article

**Headline:** [Argentina and the Limits of Fiscal Space](#)

**Article Link:** <https://theovershoot.co/p/argentina-and-the-limits-of-fiscal>

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**Tweet:** While “fiscal space” is amorphous @M\_C\_Klein notes that all countries, including the US, face hard budget constraints based on productive capacity. Argentina demonstrates that breaching these limits “can reduce future capacity for decades.”

**Summary:** [Keynes observed] "Anything we can actually do we can afford." But Keynes was wise enough to understand that the inverse was also true. We cannot afford what we cannot actually do: "[We must] prevent a demand in excess of the physical possibilities of supply, which is the proper meaning of inflation. For the physical possibilities of supply are very far from unlimited." Keynes did not believe that governments could spend whatever they wanted on welfare, nor did he believe that societies could build whatever public works they desired without concern for the cost. Rather, he believed in the importance of respecting limits and investing in productive capacity to change those limits. Economies that are not self-sufficient—almost all, with the possible exception of NAFTA—need to develop dynamic export industries to pay for needed imports. Argentina has essentially followed the reverse of this advice and paid the price.

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**Primary Topic:** Fiscal Deficits

**Topics:** Fiscal Deficits, Fiscal Policy, Government Spending, Op-Ed/Blog Post, Quote

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