

Macro Roundup Article

Headline: [Larry Summers and Bob Rubin Join Our CIOs to Discuss the Surprising Economic Cycle](#)

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Author(s)	Larry Summers, Bob Rubin, Greg Jensen, et al.
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Tweet: Fiscal deficits at current levels will manifest in "substantial inflationary pressure, substantial indigestion in the Treasury markets with financial chaos, or substantial crowding out of what would be otherwise valuable private investment." @LHSummers

Summary: If Simpson-Bowles had been implemented, given that we were already at zero interest rates and massive QE, there would have been a systematic risk of excessive deflation and disinflation without a healthy tool—because there wouldn't have been any room for long rates to fall and so there wouldn't have been any offsetting expansionary impulse. So I was very much not a fiscal hawk in the 2011-19 period. And I would stand by those judgments. But in economics, unlike physics, you have to adjust your way of thinking to the fact that the world changes quite profoundly. And in the aftermath of the big run-up of debt and the many reasons to have real interest rate increases, it has seemed to me since 2021, with growing degrees of alarm, that we have a very, very serious fiscal situation developing, which is likely to manifest itself in one of substantial inflationary pressure, substantial indigestion in the Treasury markets with financial chaos, or substantial crowding out of what would be otherwise valuable private investment.

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Primary Topic: Fiscal Deficits

Topics: Business Cycle, Database, Financial Markets, Fiscal Deficits, Fiscal Policy, GDP, Government Spending, Inflation, Monetary Policy, Op-Ed/Blog Post, Politics, Quote, Weekly

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