

## Macro Roundup Article

**Headline:** [Living with High Public Debt](#)

**Article Link:** [https://www.kansascityfed.org/Jackson%20Hole/documents/9749/Living\\_With\\_High\\_Public\\_SA\\_Sep\\_2\\_2023.pdf](https://www.kansascityfed.org/Jackson%20Hole/documents/9749/Living_With_High_Public_SA_Sep_2_2023.pdf)

Author(s)	Serkan Arslanalp and Barry Eichengreen
Publication	Federal Reserve Bank of Kansas City
Publication Date	August 28, 2023

**Tweet:** [@B\\_Eichengreen](#) argues that high public debt levels are here to stay and that methods to suppress interest rates are “less feasible than in the past.” This means chronic fiscal deficits will need to be reduced even in countries that issue safe assets.

**Summary:** Large, persistent primary budget surpluses are not in the political cards. It is difficult to imagine more favorable interest-rate-growth-rate differentials (favorable interest-rate-growth-rate differentials reducing debt ratios in an accounting sense). Real interest rates have trended downward to very low levels. It is hard to foresee them falling still lower. Faster global growth is pleasant to imagine but difficult to engineer. Inflation is not a sustainable route to reducing high public debts. Statutory ceilings on interest rates and related measures of financial repression are less feasible than in the past. Investors opposed to the widespread application of repressive policies are a more powerful lobby. Financial liberalization, internal and external, is an economic fact of life. The genie is out of the bottle. All of which is to say that, for better or worse, high public debts are here to stay. Related: American Gothic and Did the U.S. Really Grow Out of Its World War II Debt?

**Primary Topic:** Fiscal Deficits

**Topics:** Academic paper, Database, Fiscal Deficits, Fiscal Policy, Monetary Policy, Weekly

**Permalink:** [https://www.edwardconard.com/macro-roundup/b\\_eichengreen-argues-that-high-public-debt-levels-are-here-to-stay-and-that-methods-to-suppress-interest-rates-are-less-feasible-than-in-the-past-this-means-chronic-fiscal-deficit?view=detail](https://www.edwardconard.com/macro-roundup/b_eichengreen-argues-that-high-public-debt-levels-are-here-to-stay-and-that-methods-to-suppress-interest-rates-are-less-feasible-than-in-the-past-this-means-chronic-fiscal-deficit?view=detail)

### Featured Image

**Link:** <https://www.edwardconard.com/wp-content/uploads/2023/08/Eichengreen-Figure-1.png>