

Macro Roundup Article

Headline: [America's Deficit Attention Disorder](#)

Article Link: <https://www.project-syndicate.org/commentary/us-deficits-debt-are-what-matter-not-trade-imbalances-by-maurice-obstfeld-2024-08>

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Tweet: Maurice Obstfeld argues the Federal deficit is "a main driver of the trade deficit" and lowering spending would improve the US trade balance by reducing both government and private demand in a more efficient way than capital controls or tariffs.

Summary: Policies to place the federal debt on a sustainable footing would directly improve the trade balance by reducing government spending and taxing the spending power of the private sector. While data on international investment returns are imperfect, the US remains a net winner from its international financial transactions. Even though the country has, on net, borrowed abroad through its trade deficits, it holds vast foreign assets alongside its liabilities to foreigners. America's liabilities exceed its assets. But, for now, US international borrowing costs are low enough that America earns more on its huge stock of foreign assets than it pays out on its even bigger foreign debts. In national balance-of-payments statistics, the net gain to the US from its international investment position totaled \$15.12 billion in the first quarter of 2024. While the US certainly cannot run trade deficits forever, the current costs of those deficits hardly justify drastic action – and certainly not ineffective and damaging tariffs.

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Primary Topic: Savings Glut/Trade Deficit

Topics: Database, Fiscal Deficits, Fiscal Policy, GDP, Op-Ed/Blog Post, Savings Glut/Trade Deficit, Weekly

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