

## Macro Roundup Article

**Headline:** [Fiscal Arithmetic and the Global Inflation Outlook](#)

**Article Link:** <https://www.pimco.com/en-us/insights/viewpoints/fiscal-arithmetic-and-the-global-inflation-outlook/>

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**Tweet:** Peder Beck-Friis and Richard Clarida @PIMCO argue that fiscal policy has been a key driver of the current temporary inflationary episode, consistent with @JohnHCochrane fiscal theory of the price level.

**Summary:** In advanced economies, there's a significant positive relationship between core inflation and sovereign debt growth since the start of the pandemic. The fiscal expansions delivered this decade will likely lead to price levels adjusting permanently higher. But this is not the same thing as permanently higher inflation: Our base case is that as temporary pandemic-related deficits gradually normalize, inflation is likely to diminish – and today's restrictive monetary policies aim to accelerate this process. And unlike in the 1970s, monetary policy credibility appears intact, with medium-term inflation expectations still anchored around central bank targets.

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**Primary Topic:** Government Spending

**Topics:** Database, Fiscal Policy, GDP, Government Spending, Inflation, Op-Ed/Blog Post, Weekly

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