

## Macro Roundup Article

**Headline:** [Fiscal Tidbits, Part 1](#)

**Article Link:** <https://www.grumpy-economist.com/p/fiscal-tidbits-part-1>

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**Tweet:** [@JohnHCochrane](#) argues that unfunded spending as a % of the outstanding stock of debt, rather than as a % of GDP, is the key to inflationary dynamics both in the 1970s and the 2020s.

**Summary:** When we look at the history of US surplus relative to debt, the picture changes. 1972 is as inflationary as 2008, and 1975 was almost as bad as 2022. Now we are starting to see deficits of comparable size to the inflation that followed! (I use Federal Debt held by the Public, FYGDPUN. Sadly Fred only has it starting in 1970.) Of course 2008 did not produce inflation. Fiscal theory does not say that deficits cause inflation. It only says that the fraction of deficit people do not expect to be paid back, either by higher future surplus or by lower future interest costs, is inflationary. 2008 got, I think, really lucky with low interest costs, and to its credit (or maybe not, if you wanted stimulus), the Obama Administration always promised eventual debt reduction.

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**Primary Topic:** Inflation

**Topics:** Fiscal Deficits, Fiscal Policy, GDP, Inflation, Monetary Policy, Op-Ed/Blog Post

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