

Macro Roundup Article

Headline: [Asset Demand and Real Interest Rates](#)

Article Link: <https://www.nber.org/papers/w32248>

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Tweet: A new @NBERpubs paper finds that decreasing interest rates likely led to a substantial increase in the rate of retirement saving as consumers anticipated low future returns.

Summary: In this paper, we put forward the notion that the gradual fall in interest rates observed from the late 1980s up until the COVID period likely favored an increase in household-level demand for wealth. Our quantitative exploration suggests that the fall in interest rates from 1989 to 2019 likely played a prominent role in the observed increase in wealth-to-income ratios. The reason we put forward is the need to accumulate more wealth for retirement when interest rates are low - roughly speaking, at the aggregate level target saving motives dominate intertemporal substitution effects. Related: The US Capital Glut and Other Myths and In Search of Safe Havens: The Trust Deficit and Risk-free Investments! and Global Savings Glut's Demise Threatens Higher Borrowing Costs

Primary Topic: Business Cycle

Topics: Academic paper, Business Cycle, Demographics, Financial Markets, GDP, Savings Glut/Trade Deficit, Weekly, Workforce

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