

Macro Roundup Article

Headline: [We Are Living Through A Trillion-Dollar Rebalancing](#)

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Publication	Financial Times
Publication Date	March 31, 2023

Tweet: Citing the 20% fall in US's ratio of the market value of public debt to nominal GDP, @adam_tooze argues we are living through one of the "most powerful episodes of financial repression ever."

Summary: The truly systemic question is how we see our financial institutions through this giant trillion-dollar rebalancing. That is what will define this historical episode. Though debtors benefit from inflation and the revaluation of debts, they need to brace for the surging costs of debt service. Those who did not stretch the maturity of their obligations in the era of low rates now face an interest rate cliff. But if we can adjust to higher debt service and avoid a rash of bank crises, the one-off shock to the price level opens up unexpected fiscal space. We must use this wisely. We need public investment so as to escape the reactive cycle we are locked in and to begin anticipating the challenges of the polycrisis, whether in public health, climate change or destabilising geopolitics.

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Primary Topic: Business Cycle

Topics: Banking, Business Cycle, GDP, Inflation, Monetary Policy, Op-Ed/Blog Post, Quote, Theory

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