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# Macro Roundup Article

## Headline: The Trickling Up of Excess Savings

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| Author(s) | Adrien Auclert, Matthew Rognlie and Ludwig Straub |
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**Tweet:** Matt Rognlie @ludwigstraub @a_auclert argue that it will take up to five years for excess savings to work though the systems as individuals with higher marginal propensity to consume generate income for individuals with higher savings rates.

**Summary:** Deficit-financed fiscal transfers generate excess savings. One person’s spending is another person’s income. As we show, taking this fact into account implies that excess savings from debt-financed transfers have much longer-lasting effects than a naive calculation would suggest. In a closed economy, unless the government pays down the debt used to finance the transfers, excess savings do not go away as households spend them down. Instead, the effect of excess savings on aggregate demand slowly dissipates as they “trickle up” the wealth distribution to agents with lower MPCs. Tight monetary policy speeds up this process, but this effect is likely to be quantitatively modest. The partial equilibrium scenario summarizes the conventional wisdom according to which the effect of excess savings will dissipate in a few quarters. By contrast, our benchmark scenario suggests that these effects will stick around for roughly 5 years.

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