

Macro Roundup Article

Headline: [Secular Stagnation is Not Over](#)

Article Link: <https://www.piie.com/blogs/realtime-economics/secular-stagnation-not-over>

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Tweet: .@ojblanchard1 argues that the secular stagnation environment – where real interest rates were low, often negative, and much lower than the economy's rate of growth – will soon reassert itself and will then be the "prevalent regime for some time to come."

Summary: Summers has argued that the increase in public debt due to the fiscal response to COVID will lead, other things equal, to an increase in r [real return on capital]. He is right about the sign of the increase in public debt's impact on r , but the effect is likely to be quite small. The debt-to-GDP ratio in advanced economies has increased only from 75 percent in 2019 to 82 percent in 2022; under standard assumptions, this implies an increase in r of no more than 15–30 basis points. That would be insufficient to offset the pre-COVID downward trend in safe rates, let alone to close the gap between r and g [growth rate of output.]

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Primary Topic: Growth

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