

Macro Roundup Article

Headline: [Working Out: Why Interest Rates \(Probably\) Won't Stay High](#)

Article Link: <https://www.nytimes.com/2022/11/18/opinion/interest-rates-fed.html>

Author(s)	Paul Krugman
Publication	Krugman Works Out
Publication Date	November 21, 2022

Tweet: .@paulkrugman argues that once the demand shock from pandemic aid fades, “we’ll probably be back to a situation in which too much saving is chasing too few investment opportunities, and interest rates will be revisiting their old lows.”

Summary: Once [the economic boost from pandemic aid fades away,] we’ll probably be back where we were before the pandemic, with weak private investment demand holding interest rates down. Last time I wrote about this I stressed demography — the drastic slowdown in growth of the working-age population — plus what looks like disappointing rates of technological progress. Let me now put it a different way. [The macroeconomic accelerator effect] tells us that investment spending will only remain high if we expect rapid economic growth. And what we know now doesn’t support that expectation. What all this suggests to me is that the era of cheap money is not, in fact, over. A few years from now, we’ll probably be back to a situation in which too much saving is chasing too few investment opportunities, and interest rates will be revisiting their old lows

Primary Topic: Inflation

Topics: GDP, Inflation, Op-Ed/Blog Post, Theory

Permalink: <https://www.edwardconard.com/macro-roundup/paulkrugman-argues-that-once-the-demand-shock-from-pandemic-aid-fades-well-probably-be-back-to-a-situation-in-which-too-much-saving-is-chasing-too-few-investment-opportunities-an?view=detail>

Featured Image

Link: <https://www.edwardconard.com/wp-content/uploads/2022/11/11.21.22-Krugman.jpg>