

Macro Roundup Article

Headline: [The American Credit Cycle Is At a Dangerous Point](#)

Article Link: <https://www.economist.com/finance-and-economics/2023/05/24/the-american-credit-cycle-is-at-a-dangerous-point>

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Tweet: Since the end of 2009 US nominal GDP growth has been higher than nominal rates, outside of the acute pandemic period. Based on current forecasts, this is about to change, creating increasing risks for private and public debtors. @TheEconomist

Summary: In an $i > g$ world [nominal interest rates higher than nominal growth,] growth in the revenues, wages or tax receipts that a debtor earns will be slower than the interest accumulating on their borrowing, meaning debt levels have the potential to explode. An $i > g$ world is unfamiliar to America and most of the West. Since the end of 2009 nominal growth has been higher than nominal rates (aside from the first half of 2020, when the covid-19 pandemic crashed the economy). Now America is about to cross the threshold, [based on a panel of economists surveyed by Bloomberg.] It is far easier to swallow a high cost of capital when it is matched by high returns on said capital. And that will not be the case for much longer.

Primary Topic: Business Cycle

Topics: Business Cycle, GDP, News article

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