

Macro Roundup Article

Headline: [The Bank of Japan's Seductive Widow-Maker Trade](#)

Article Link: <https://www.project-syndicate.org/commentary/japan-monetary-tightening-could-affect-global-economy-by-kenneth-rogooff-2023-10>

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Summary: The BOJ's reluctance to increase its short-term policy rates is understandable, given that Japan's gross government debt currently stands at 260% of GDP, or 235% of GDP after netting out \$1.25 trillion in foreign-exchange reserves. Should the Bank be compelled to raise its short-term policy interest rates by 3% – about half as much as the US Federal Reserve has – the government's debt-servicing costs would explode. Moreover, a sharp interest-rate increase would put enormous pressure on the Japanese banking sector, particularly if long-term rates were to rise as well.

Related Articles: [BOJ Shock Has Wall Street Gaming Out the Global Spillovers](#)

Primary Topic: Financial Markets

Topics: Financial Markets, Fiscal Deficits, Fiscal Policy, GDP, Inflation, Monetary Policy, Op-Ed/Blog Post

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