

Macro Roundup Article

Headline: [A Debt Deal Could Help Solve the Country's Inflation Problem](#)

Article Link: <https://www.wsj.com/articles/a-debt-deal-could-help-solve-the-countrys-inflation-problem-bef121c>

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Tweet: [@greg_ip](#) argues that the Republican debt ceiling proposal would provide fiscal support to the Fed's monetary policy actions to get inflation back to target.

Summary: Team Biden might have learned the wrong lesson from 2011. Back then, the unemployment rate was 9%. The Fed was holding interest rates near zero and buying bonds to stimulate growth and raise inflation, then running below its 2% target when food and energy are excluded. Today the problem is just the opposite. Unemployment, at 3.5%, is arguably too low given there are 64% more vacant jobs than job seekers. Inflation, at around 5%, is far above 2%. The Fed could use some help. The CBO says the Republican debt-ceiling bill would reduce discretionary federal spending by \$129 billion in the fiscal year ended Sept. 30, 2024, relative to current law. (Discretionary spending must be reauthorized regularly, unlike mandatory programs such as Social Security and Medicare.) That would lower federal spending to 23.1% of GDP, enough to knock about half a percentage point off economic growth. Lower growth is normally a bad thing, but not when demand is too hot.

Primary Topic: Business Cycle

Topics: Business Cycle, Fiscal Deficits, Fiscal Policy, GDP, Op-Ed/Blog Post, Politics

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