

## Macro Roundup Article

**Headline:** [The Stunning Resilience of Emerging Markets](#)

**Article Link:** <https://www.project-syndicate.org/commentary/macroeconomic-orthodoxy-saved-emerging-markets-from-debt-crisis-by-kenneth-rogoft-2023-10>

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**Tweet:** Despite rising interest rates, @krogoft attributes the resilience of emerging markets to large foreign exchange reserves and increased central bank independence.

**Summary:** One notable innovation has been the accumulation of large foreign exchange reserves to fend off liquidity crises in a dollar-dominated world. India's forex reserves, for example, stand at \$600 billion, Brazil's hover around \$300 billion, and South Africa has amassed \$50 billion. Crucially, emerging-market firms and governments took advantage of the ultra-low interest rates that prevailed until 2021 to extend the maturity of their debts, giving them time to adapt to the new normal of elevated interest rates. But the single biggest factor behind emerging markets' resilience has been the increased focus on central-bank independence. Once an obscure academic notion, the concept has evolved into a global norm over the past two decades. This approach, which is often referred to as "inflation targeting," has enabled emerging-market central banks to assert their autonomy, even though they frequently place greater weight on exchange rates than any inflation-targeting model would suggest. Owing to their enhanced independence, many emerging-market central banks began to hike their policy interest rates long before their counterparts in advanced economies. This put them ahead of the curve for once, instead of lagging behind. Moreover, emerging markets never bought into the notion that debt is a free lunch, which has thoroughly permeated the US economic-policy debate, including in academia. The idea that sustained deficit finance is costless due to secular stagnation is not a product of sober analysis, but rather an expression of wishful thinking.

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