Macro Roundup Article

Headline: The End of Magical Debt Thinking

Article Link: https://www.project-syndicate.org/commentary/developed-countries-public-borrowing-spree-bill-comes-due-by-kenneth-rogoff-2024-04

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Tweet: .@krogoff notes that governments can use high inflation or extended periods of financial repression to manage excessive debt burdens, but low and middle-income people tend to bear the costs.

Summary: While developed countries rarely formally default on their domestic debt – often resorting to other tactics like surprise inflation and financial repression to manage their liabilities – a high debt burden is generally detrimental to economic growth. To be fair, there is also no need to panic about public debt, at least in advanced economies. Occasional bouts of high inflation or extended periods of financial repression are not catastrophic. But it is important to emphasize that while wealthy people have access to a range of investment options that enable them to cushion the impact of such financial adjustments, low- and middle-income citizens tend to bear the brunt of the costs. In short, government debt can be a valuable tool for addressing myriad economic challenges. But it is not – and has never been – a free lunch.

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Primary Topic: Fiscal Deficits

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

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