

The Hidden Roots of Our Debt Crisis

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Princeton University

Seventeenth Paolo Baffi Lecture on Money and Finance
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The Rise In Global Debt

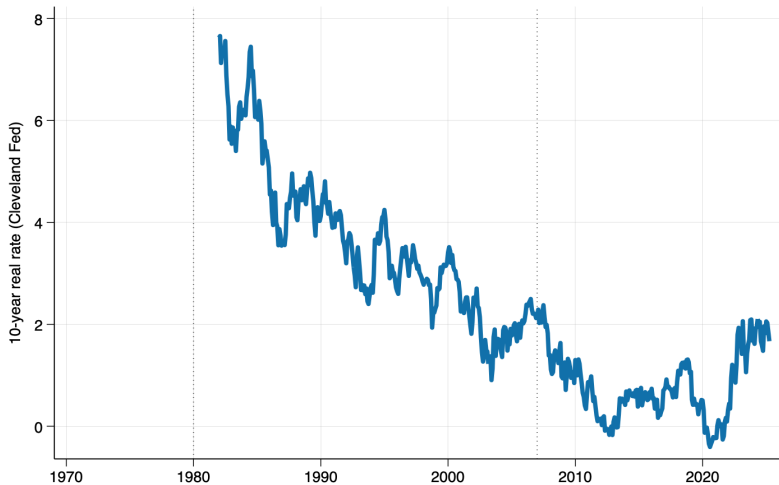


The **unequal** roots of our debt crisis

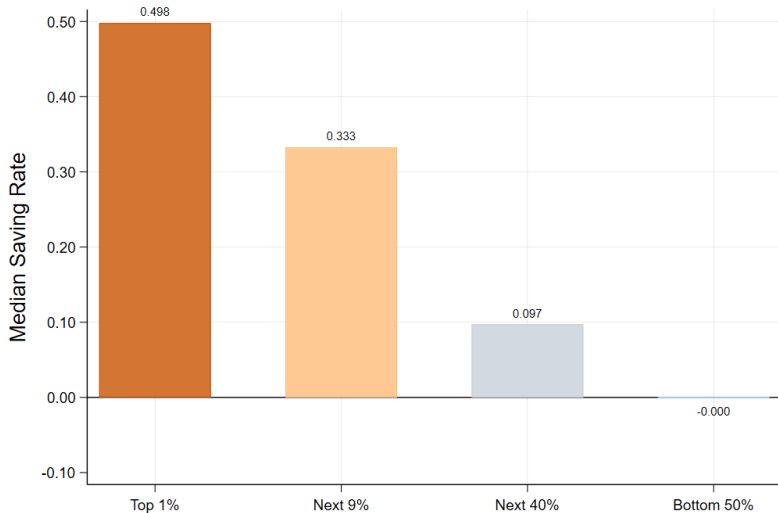
It is utterly impossible, as this country has demonstrated again and again, for the rich to save as much as they have been trying to save, and save anything that is worth saving.

— Marriner Eccles (Chair, U.S. Federal Reserve 1933–48)

The Fall In Global Rates

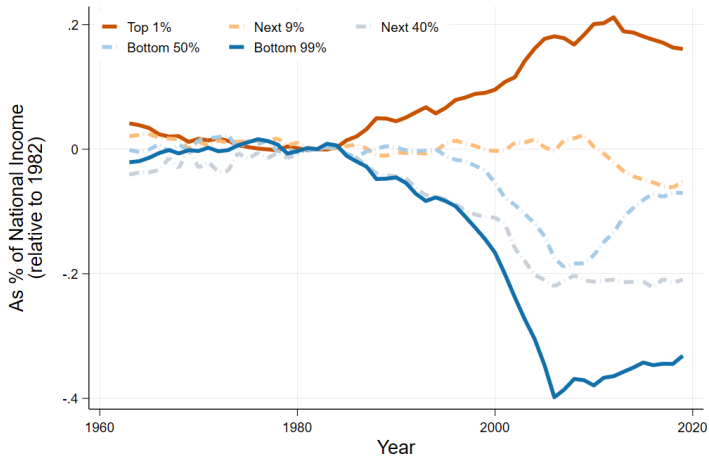


Saving Rates across the Wealth Distribution



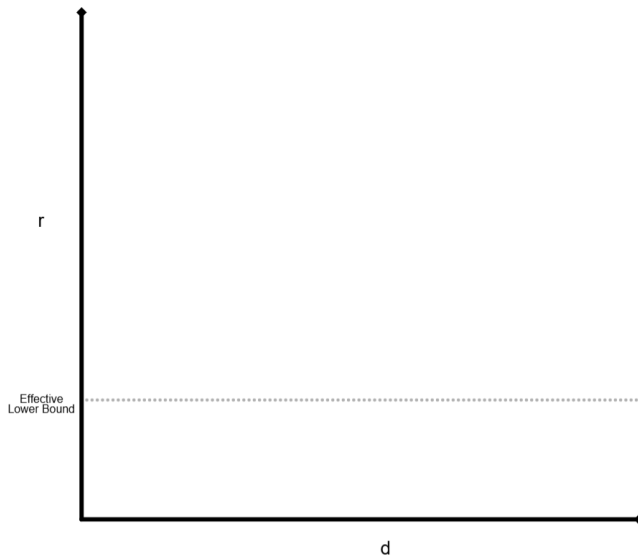
Source: *The Saving Glut of the Rich* (Mian, Sufi and Straub, 2025)

Net Household Debt across the Wealth Distribution



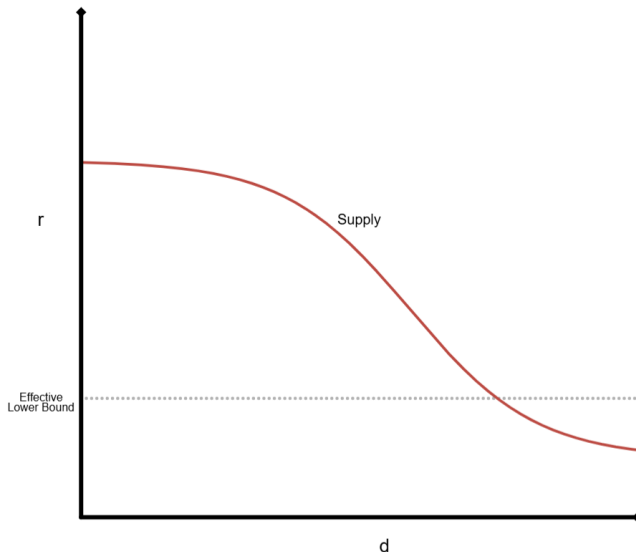
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$$R_{private} > G \implies \uparrow \text{“indebted demand”} \implies \downarrow r^*$$



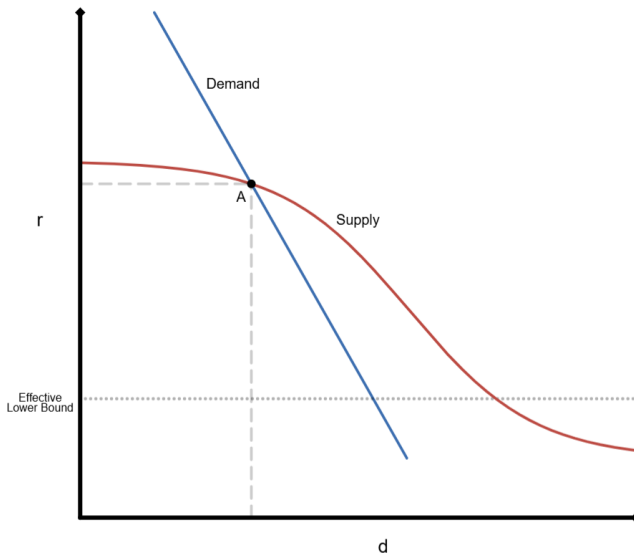
Indebted Demand, Mian, Sufi, and Straub, *Quarterly Journal of Economics*, 2021.

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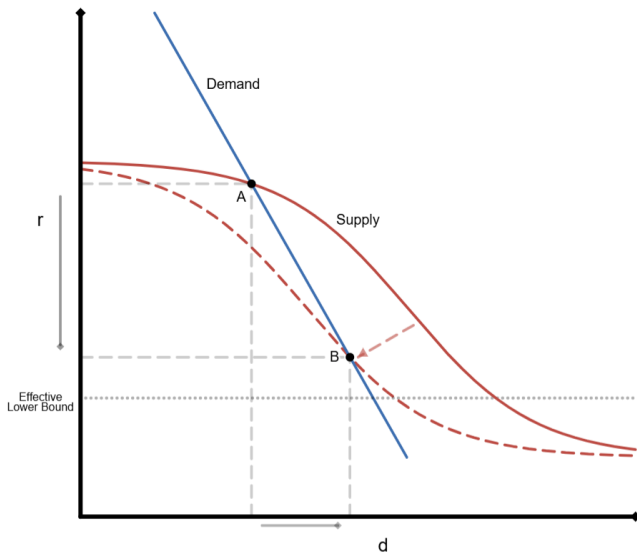
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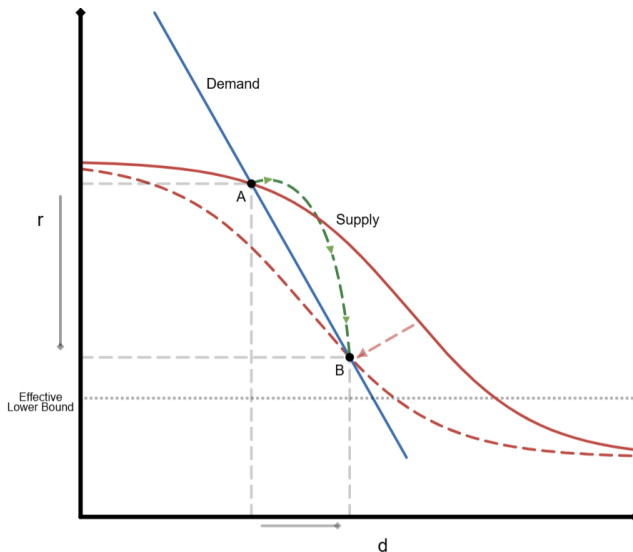
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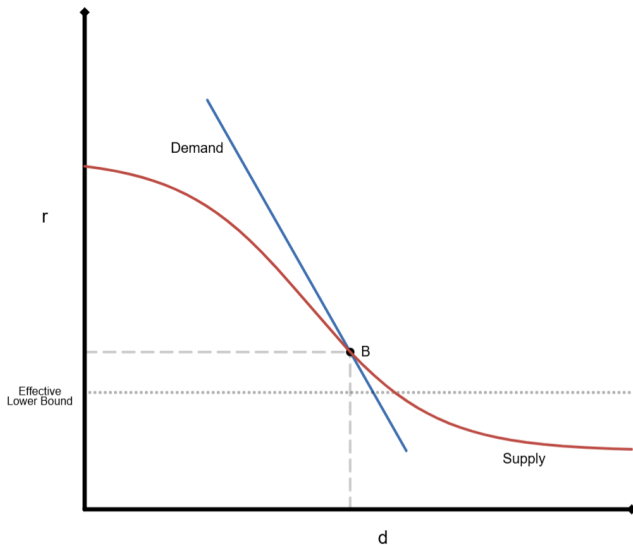
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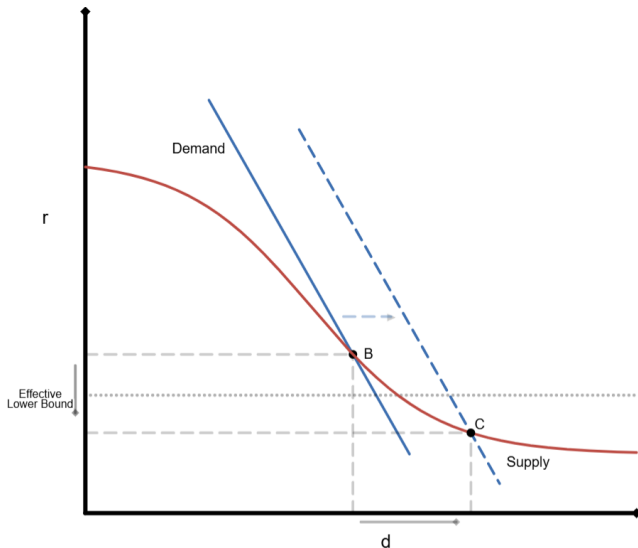
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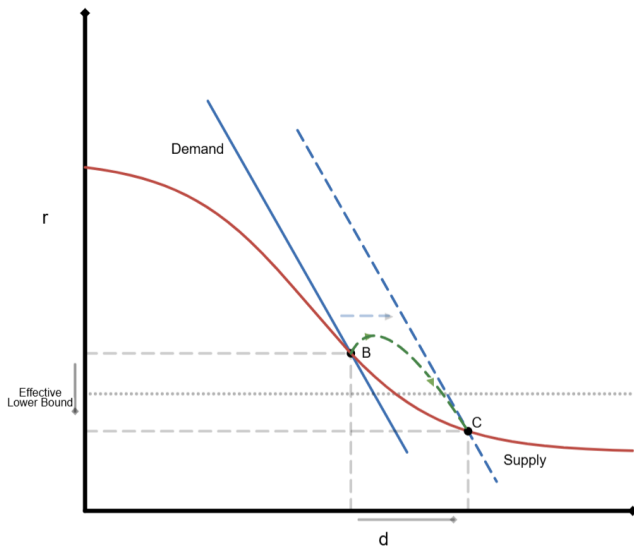
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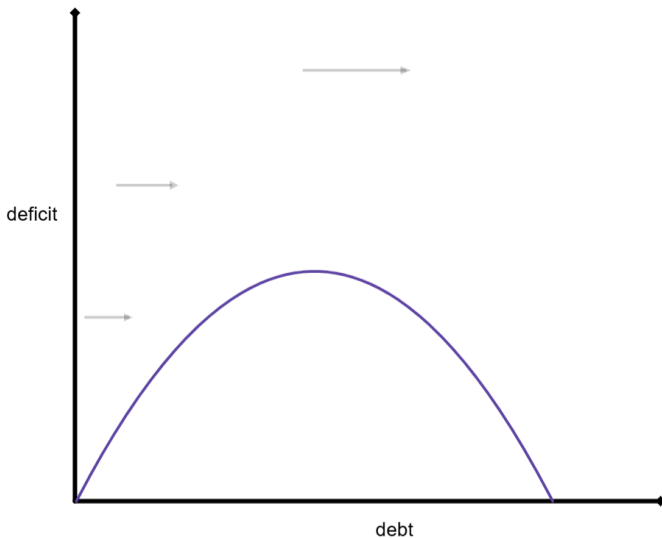
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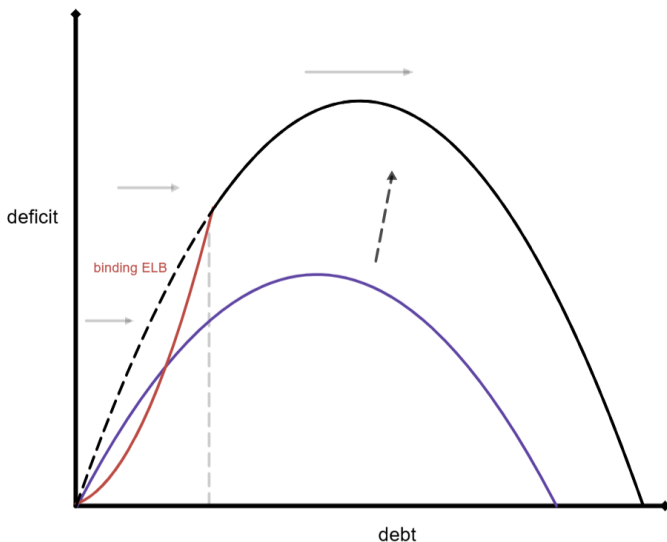
Indebted Demand, Mian, Sufi, and Straub, Quarterly Journal of Economics, 2021.

$R_{gov} < G \implies$ fiscal deficits can sustain demand, but face Goldilocks problem

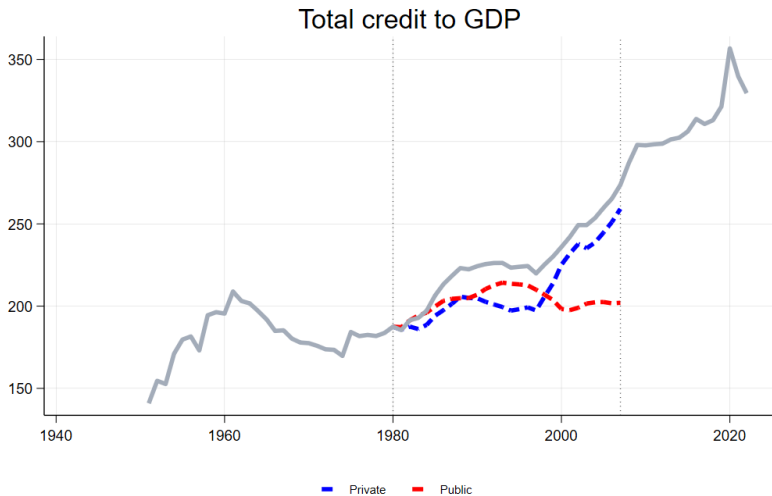


A Goldilocks Theory of Fiscal Deficits, Mian, Sufi, and Straub, *American Economic Review*, 2025.

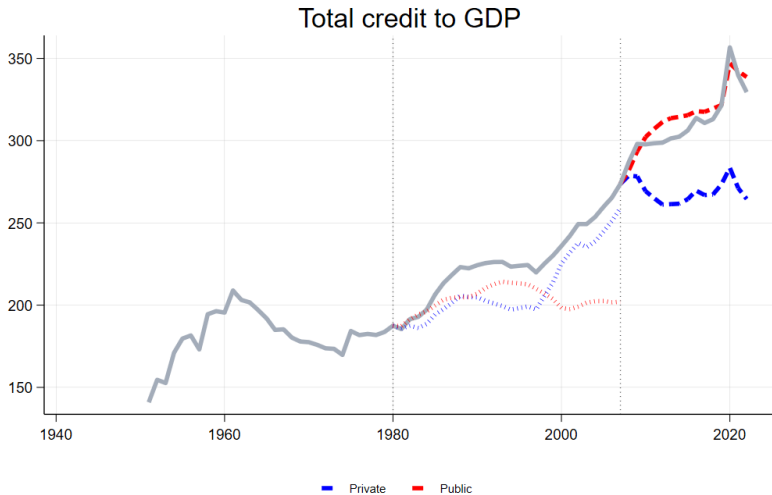
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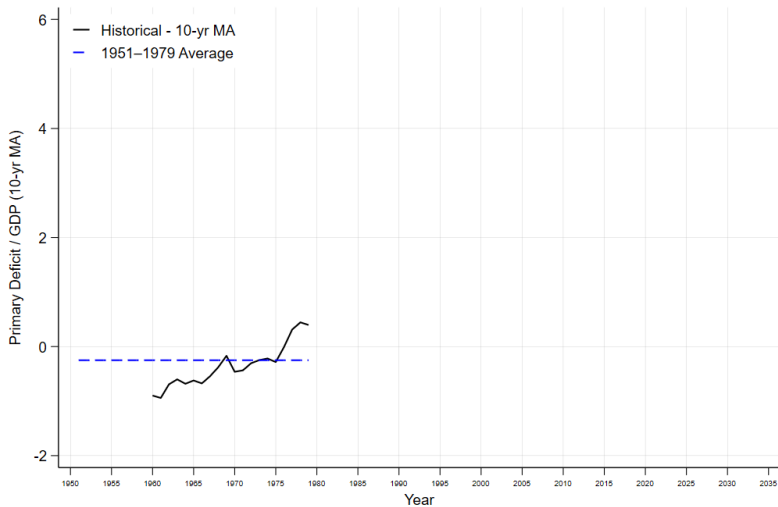
Credit Decomposition by Private and Public: 1980-2008



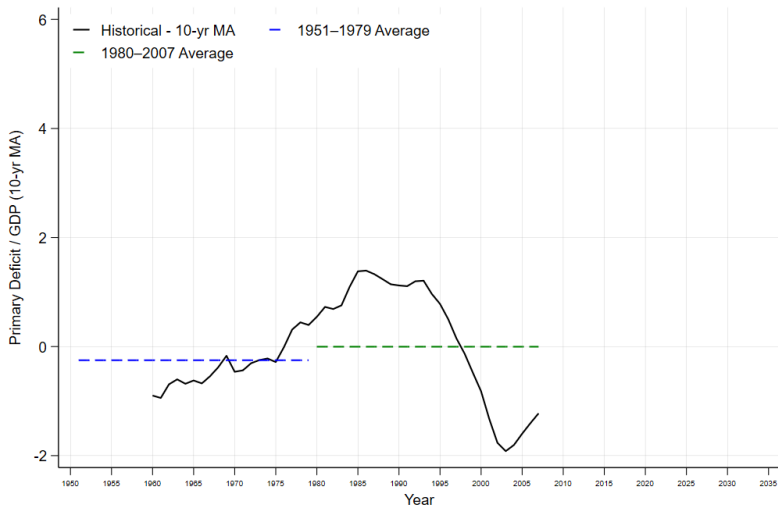
Credit Decomposition by Private and Public: 2008-present



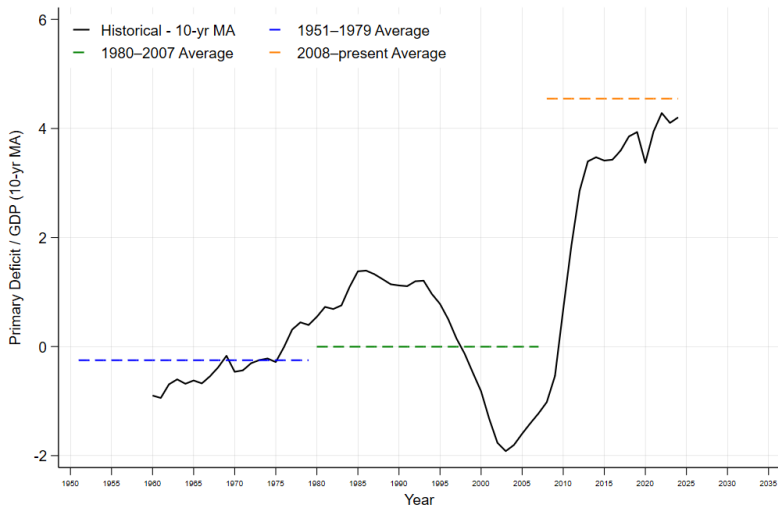
U.S. Primary Deficit



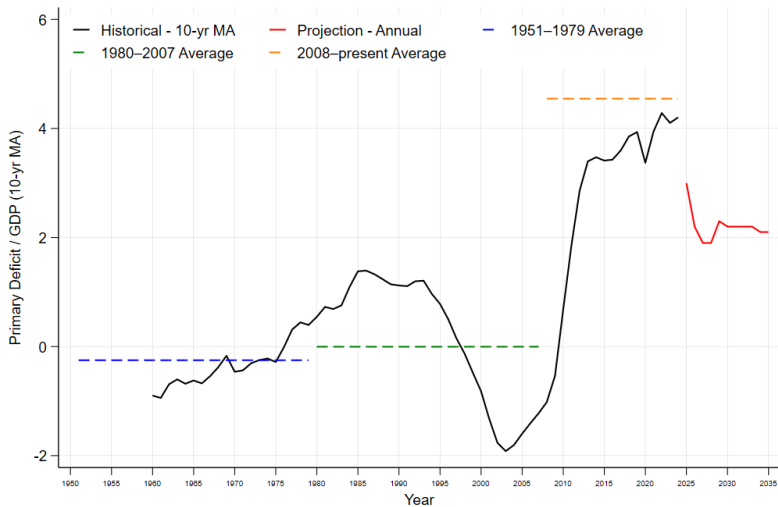
U.S. Primary Deficit



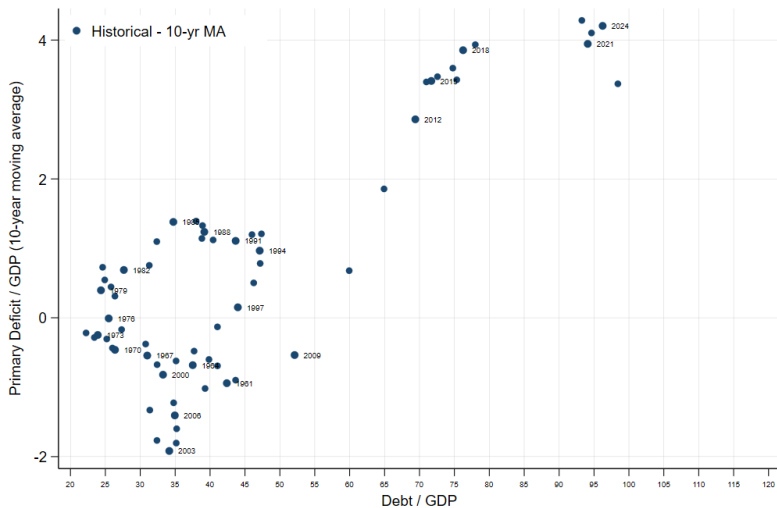
U.S. Primary Deficit



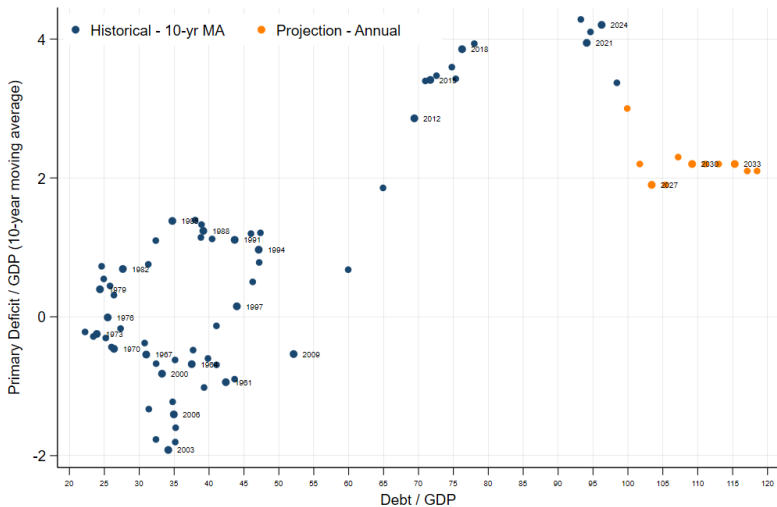
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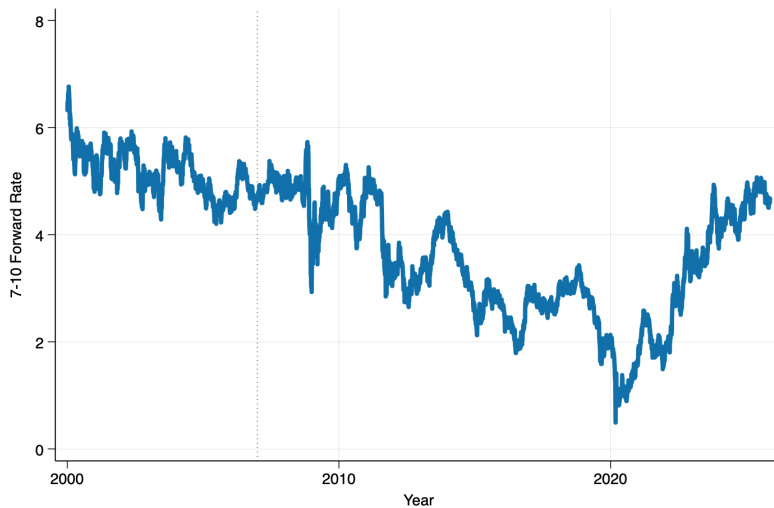
U.S. Deficit-debt diagram



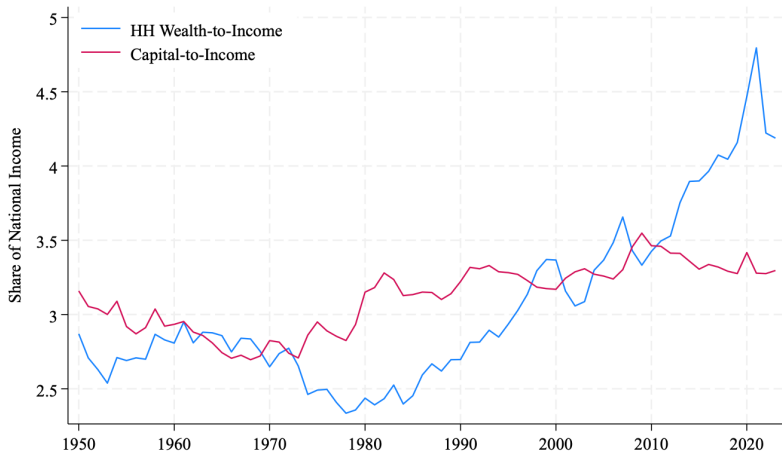
U.S. Deficit-debt diagram



Fiscal Dominance



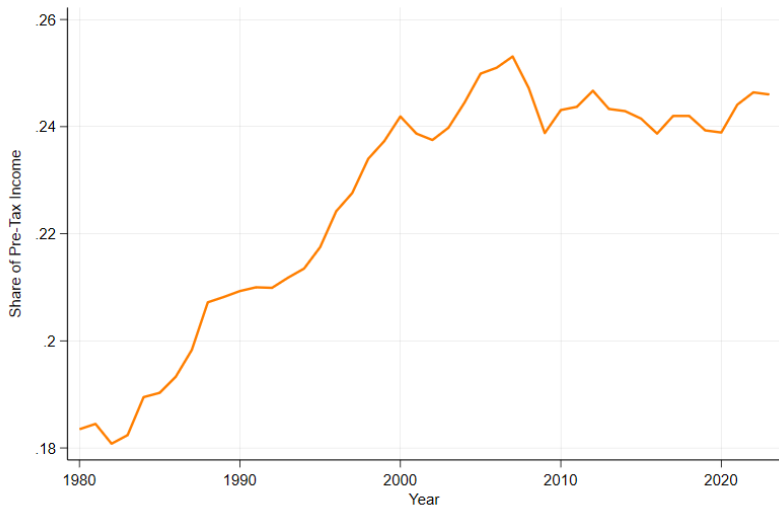
Inelastic Supply-Side



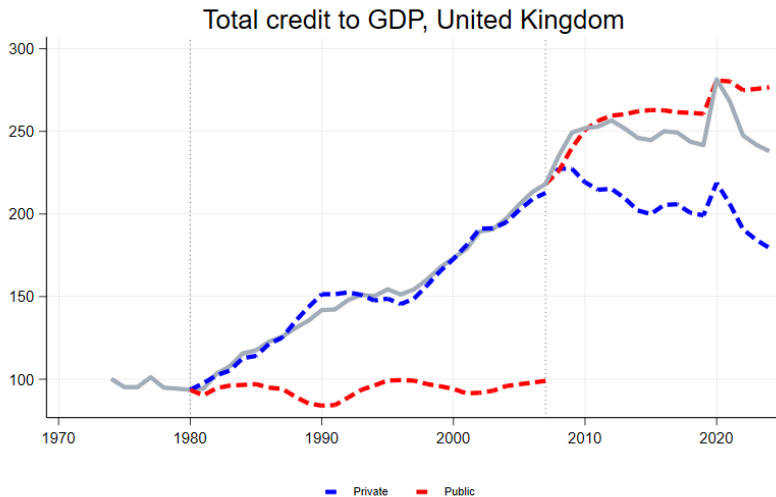
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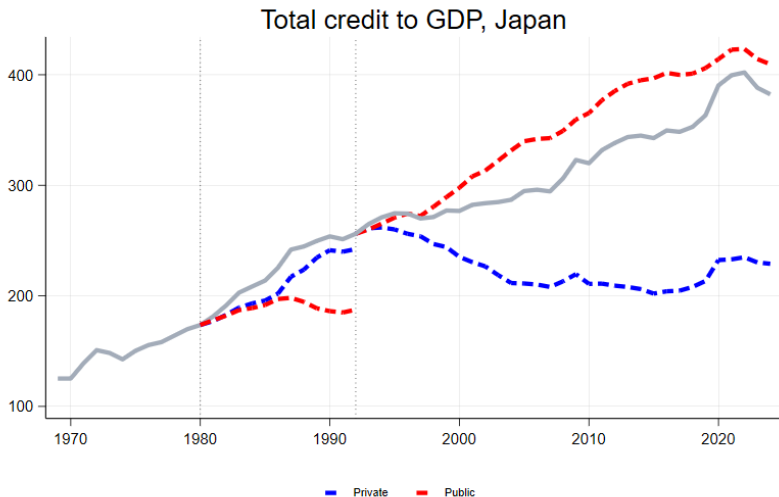
Global Saving Glut



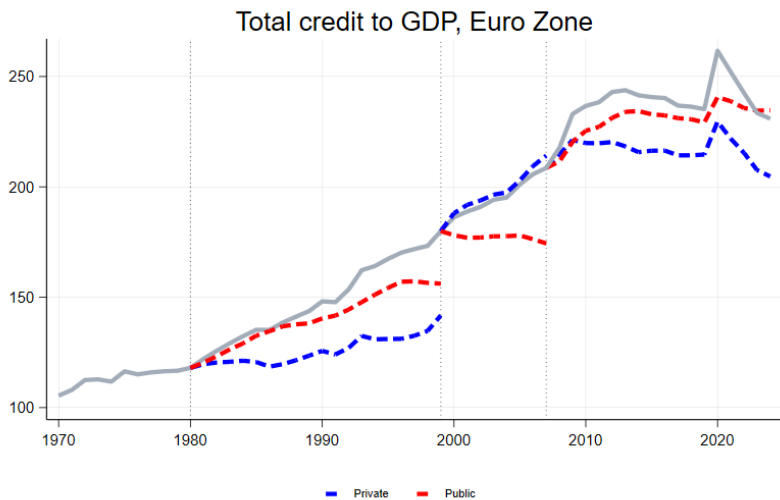
Global Saving Glut



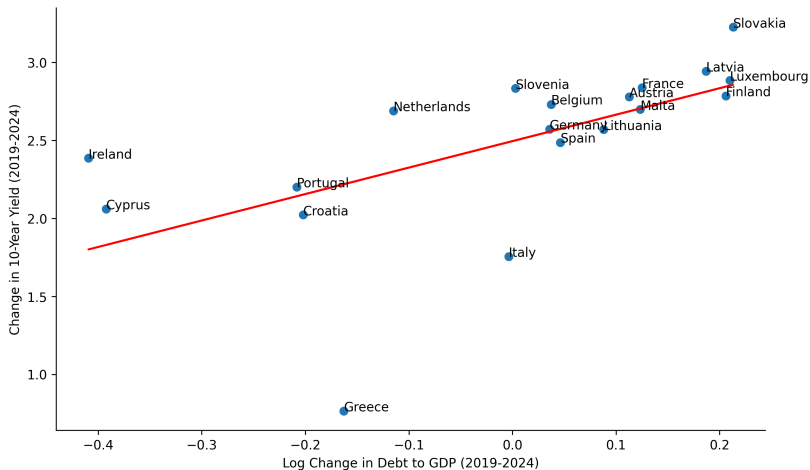
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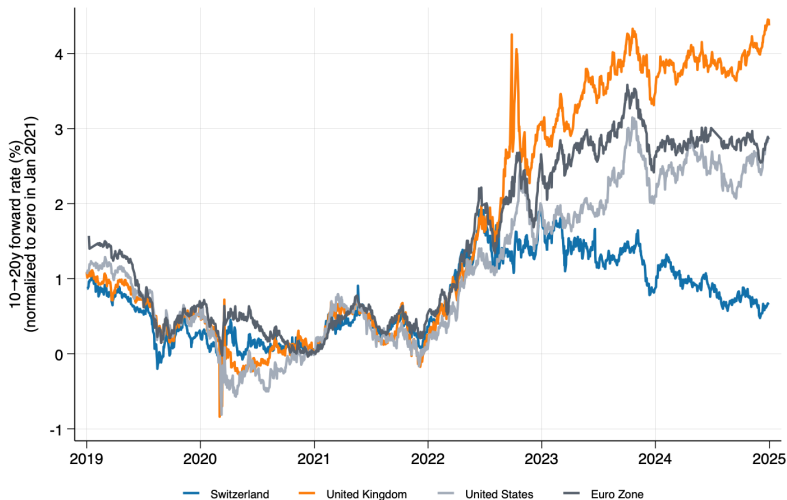
Global Saving Glut



Global Fiscal Dominance



Global Fiscal Dominance



The **unequal** roots of our debt crisis

It is for the interests of the well to do—to protect them from the results of their own folly—that we should take from them a sufficient amount of their surplus to enable consumers to consume and business to operate at a profit. This is not "soaking the rich"; it is saving the rich.

— Marriner Eccles (Chair, U.S. Federal Reserve 1933–48)