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Government Debt – Not too bad after all?

政府债务-没有想象的那么糟

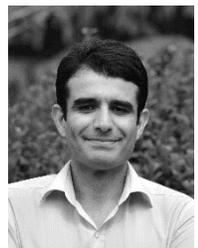
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Olivier Blanchard - a prominent and leading macroeconomist of the past two to three decades and one of the world's most respected macroeconomists - questioned in his recent speech at the annual American Economic Association Meeting the conventional wisdom that excessive debt is a danger for governments across the world. His central point is that, on average, during the past few decades, nominal interest rates have been lower than the nominal growth rate, which is quite the opposite of what is assumed in most of the textbooks on public finance. Therefore, debt is much less of a problem than previously thought. Blanchard, specifically speaks about the US economy; however, his point is perhaps even more relevant to the Chinese economy.

China has been experiencing a quite high economic growth rate over the past two decades, and at the same time, safe government bonds interest rates have been much lower than the GDP growth rate. They are expected to remain below nominal growth rates for a long

作为世界上最受尊敬的宏观经济学家之一的奥利维尔·布兰查德(Olivier Blanchard)，近20-30年里在宏观经济学领域内一直是杰出的代表性人物，他最近在一年一度的美国经济协会会议上质疑关于过度债务对世界各国政府构成的危险这一传统观念。他认为，在过去的几十年里，以均值来看，名义利率一直低于名义增长率，这一现象与公共财政教科书的观点完全相反。因此，债务没有以前认为的那么严重，特别是当他谈到美国经济时尤其强调这一点。不过，他的观点也与中国的经济更贴切。

中国在过去的二十年里一直保持经济的高速增长，于此同时，安全的政府债券的利率远低于GDP增长率。预计只要中国人民银行货币政策将低而稳定的通货膨胀作为主要目



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time, at least so long as the People's Bank of China does not forget that low and stable inflation is the central goal of monetary policy. Price stability is indeed the optimal monetary policy emerging from the new generation of models that have become the workhorse for the analysis of monetary policy, which are called new Keynesian. Therefore, so long as the inflation rate in China remains low and stable and the economy continues to grow at its remarkably high and steady rate, the Chinese government should not worry too much with the supposed costs and risks of government debt, that the rest of the world has been too obsessed with in the past few years.

So, the most important conclusion from this historical fact that safe interest rates have been and are expected to remain below growth rates for a long time in China is that public debt, in sharp contrast to what has been thought and assumed, may not have high fiscal costs. This pattern means that the Chinese government can repay its debts more easily than people expect. The reason is that its economy can produce more than enough bounty to cover interest payments. And do not forget that debt can bring enormous benefits. For example, it allows the government to invest in infrastructures, nutrition and health care for the young, who are the workers of tomorrow, education, transportation, scientific research or other programs that are not attractive for the private sector but can substantially lift economic growth more than what it is.

However, it's still a bad idea to run up debt for no good economic reason. In fact, there are good economic reasons why building up a large stock of government debt relative to GDP may have negative side effects on the economy as a whole. But remember these effects all operate when the interest rate on government debt exceeds the growth rate. In this case, high government debt can crowd out private investment by raising interest rates. The historical facts along with reasonable economic forecasts tell us we do not need to worry much

标, 安全的政府债券利率将长期维持在名义增长率以下水平。新凯恩斯主义作为分析货币政策的主要理论依据, 价格稳定实际上是从这些新的理论中提炼出的最优货币政策。因此, 只要中国的通货膨胀率保持低位稳定, 以及经济维持快速稳定的增长, 中国政府就不必过分担心政府债务的假设成本和风险, 然而在过去的几年里世界对于这个问题给与了太多的关注。

所以, 从安全利率水平一直保持并且预期将在很长一段时间内持续保持低速增长这一历史事实中, 我们可以得出一个最重要的结论, 与一直被大家所认为和假设形成鲜明对比的是, 公共债务可能并没有特别高的财政成本。这种模式意味着中国政府可以比人们预期的更容易偿还债务。原因是其经济可以产生足够的效益来支付利息。需要强调的是债务可以带来巨大的利益。比如, 它可以使政府投资于基础设施以及为未来劳动力的年轻人提供营养和医疗保健, 除此之外还有交通、科学研究或是对于私营部门没有吸引力但对经济增长起到基本促进作用的其他项目。

然而, 如果不以提高经济效益为目的的债务的增加仍然被视为糟糕的观点。实际上, 相对于GDP的政府债务的增加可能对于整个经济产生负面的影响, 对此我们能够做出很好的经济解释。但是需要强调的是, 这些效果只有在政府债务利率超过增长率时才起作用。在这种情况下, 高的政府负债通过提高利率能够挤出私人投资。通过历史事实以及合理的经济预测, 我们不需要对这个问题太过担心, 因

about this case, since the reverse has mainly been the case during the past few decades. That is, interest rates on short-term government debt have generally been lower than the rate of nominal GDP growth.

Also, remember that inadequate demand is much more effective at suppressing investment. In fact, interest rates cannot crowd out investment when they are very low, or at their floor, which has been the case during the past few years. In short, the economic reasons for worrying about government debt fall aside if the interest rate paid by the government is lower than the rate of economic growth, and so the government debt doesn't have to be paid down. Instead it can be rolled over for infinite periods, and as the economy grows over time, the government debt will shrink all on its own.

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为在过去的几十年里主要出现的是相反的情况，也就是说，短期政府债务的利率一般低于名义GDP增长率。此外，需要说明需求不足在抑制投资方面更加有效。实际上，当利率非常低或者处于底部的情况下，利率不能挤出投资，在过去的几年里一直是这种情况。也就是说，如果政府支付的利率低于经济增长率，这种对政府债务担心的解释将会消失。相反，它可以延续无限期，随着经济的增长，政府债务将逐渐减少。

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