



THREE WORLD WARS: FISCAL-MONETARY CONSEQUENCES
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Features of Wars

- Large temporary increase in government spending
- Large declines in civilian workforce
- Restrictions on production and trade



Additional Features of US Wars

- Subsequent inflationary periods
- Significant increases in debt levels



Discussion: Two Questions

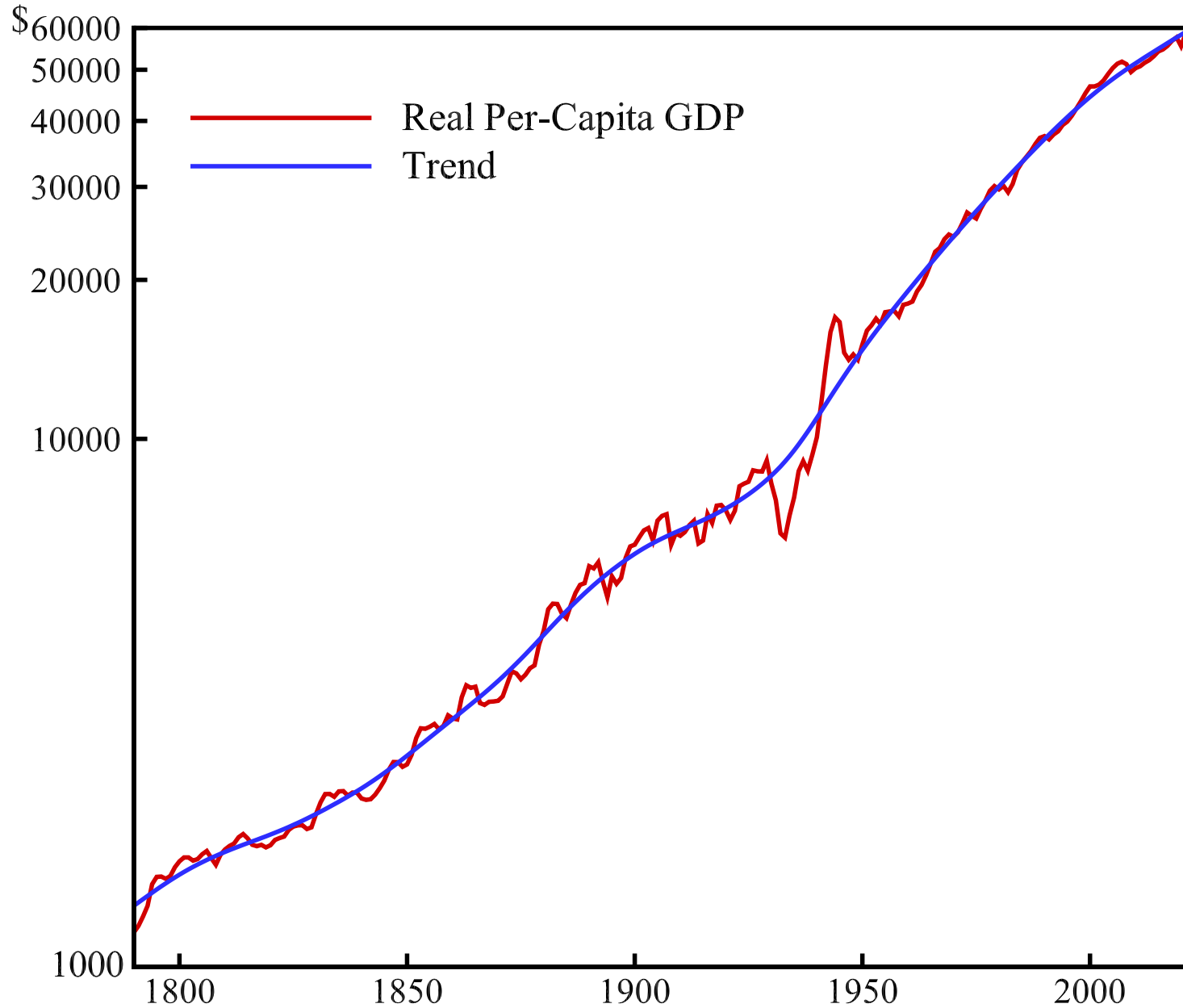
- Is COVID-19 like a world war?
- Who will pay?



IS COVID-19 LIKE A WORLD WAR?

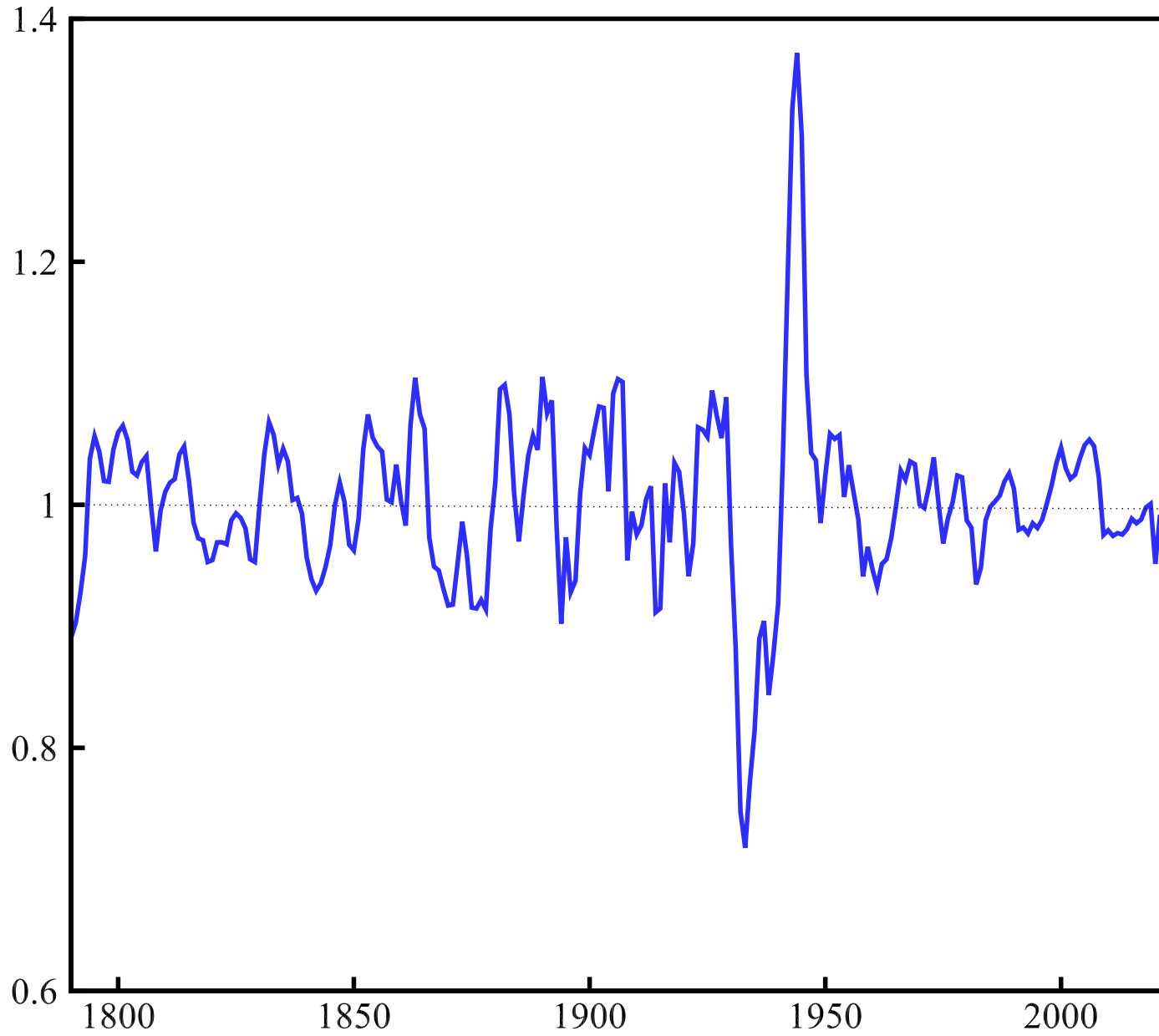


Historical Real GDP Per Capita (2012\$)



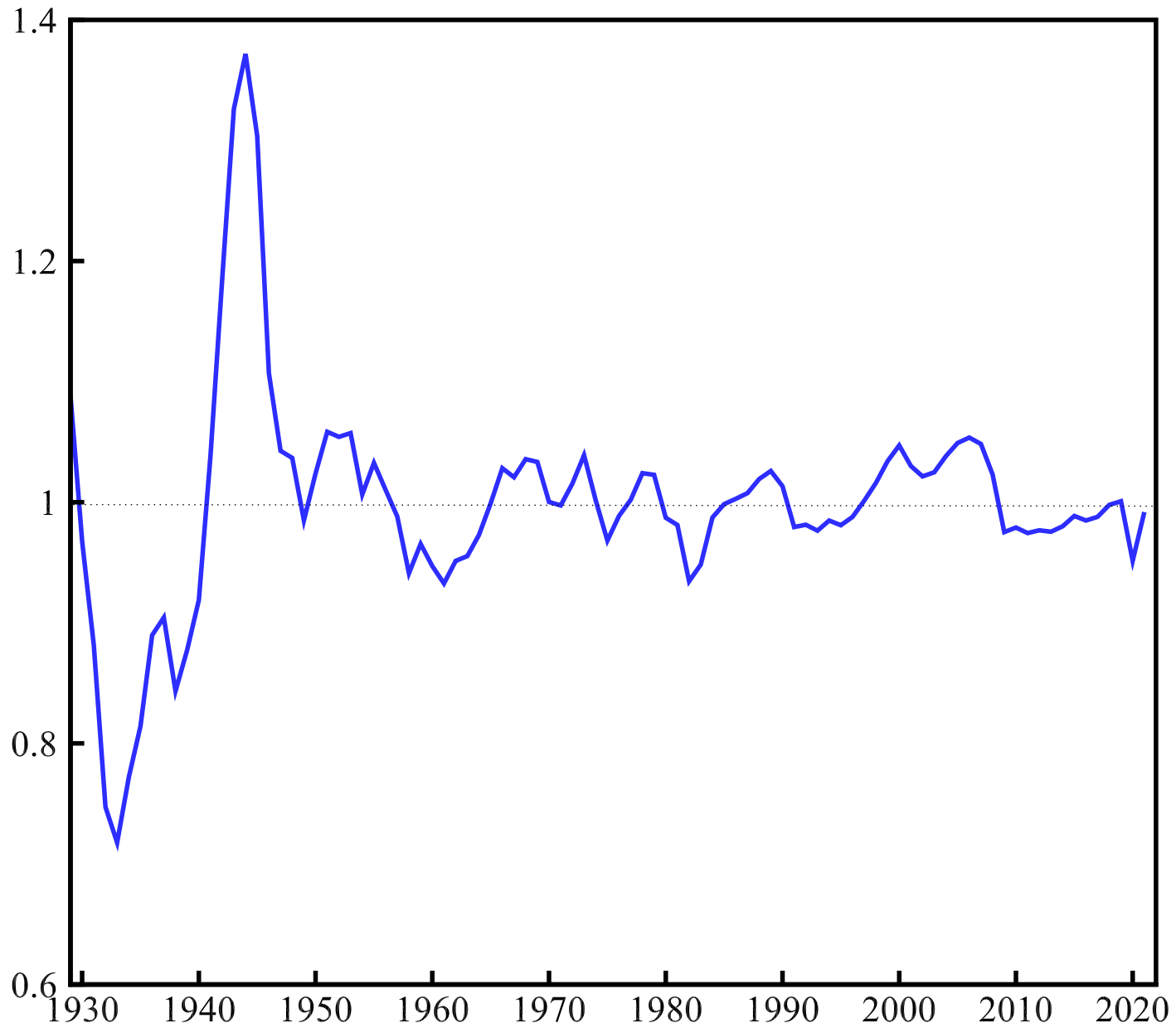


Real GDPPC: Divide by Trend



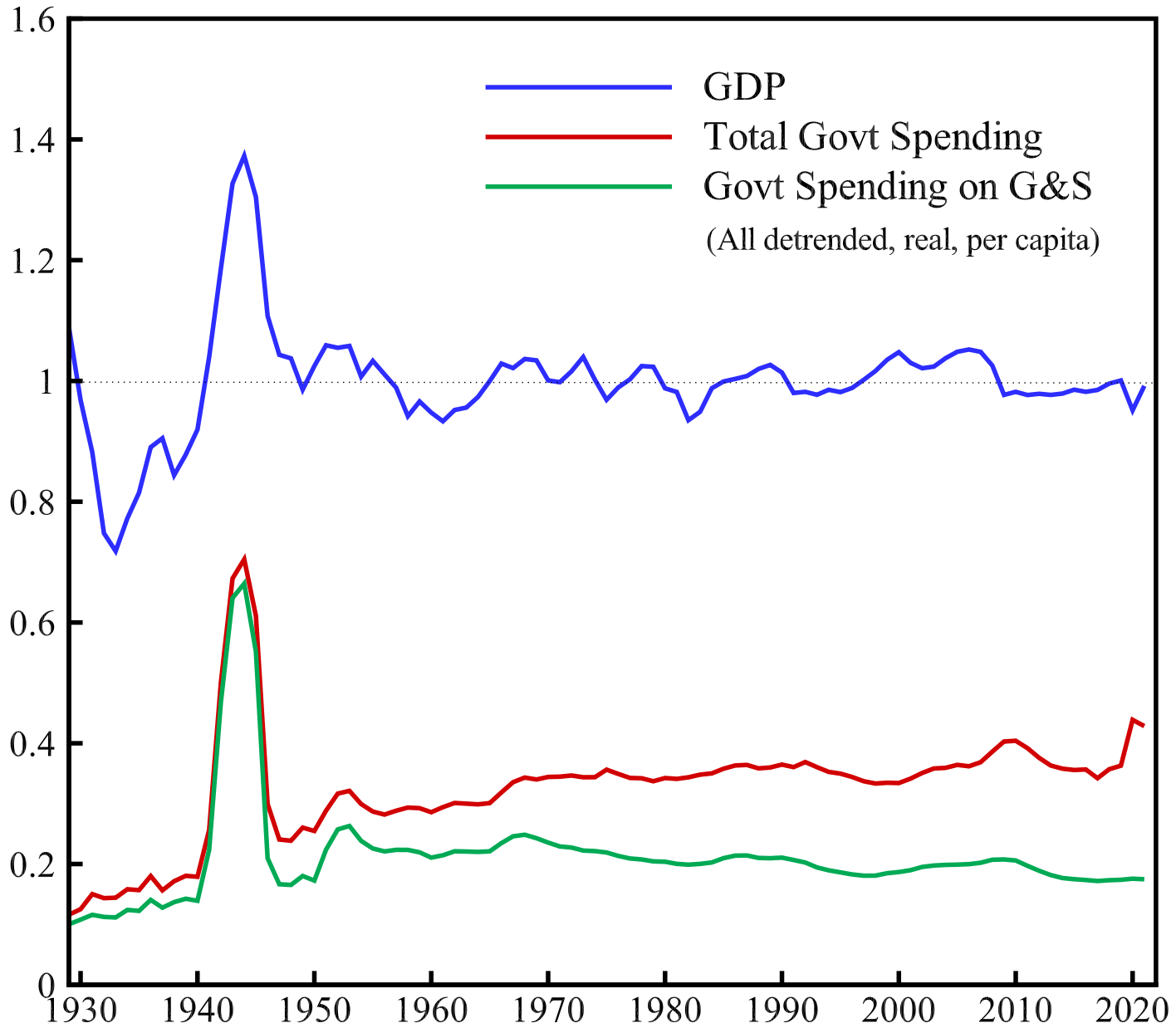


Real GDPPC: 1929-2021



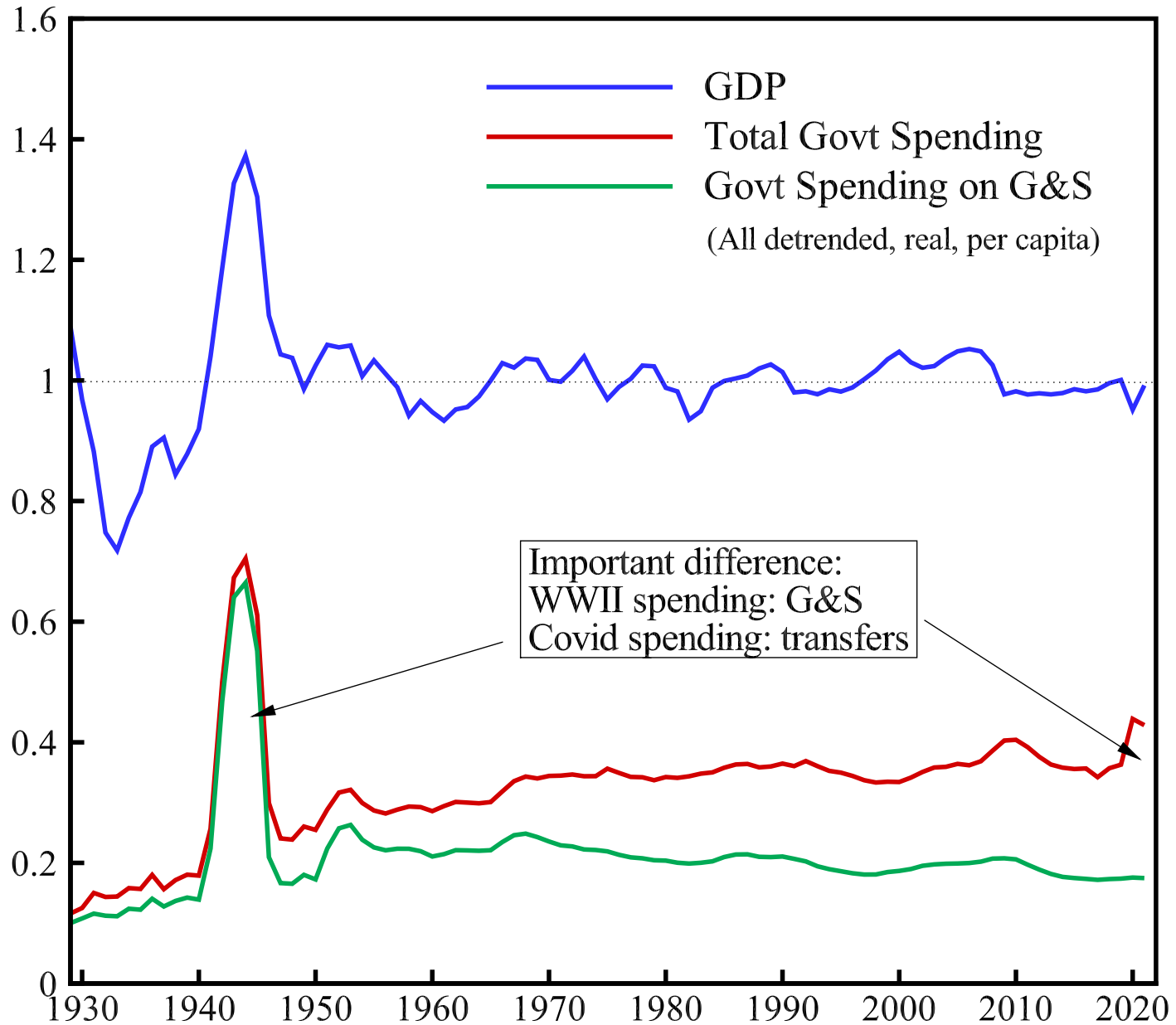


Two Measures of Spending



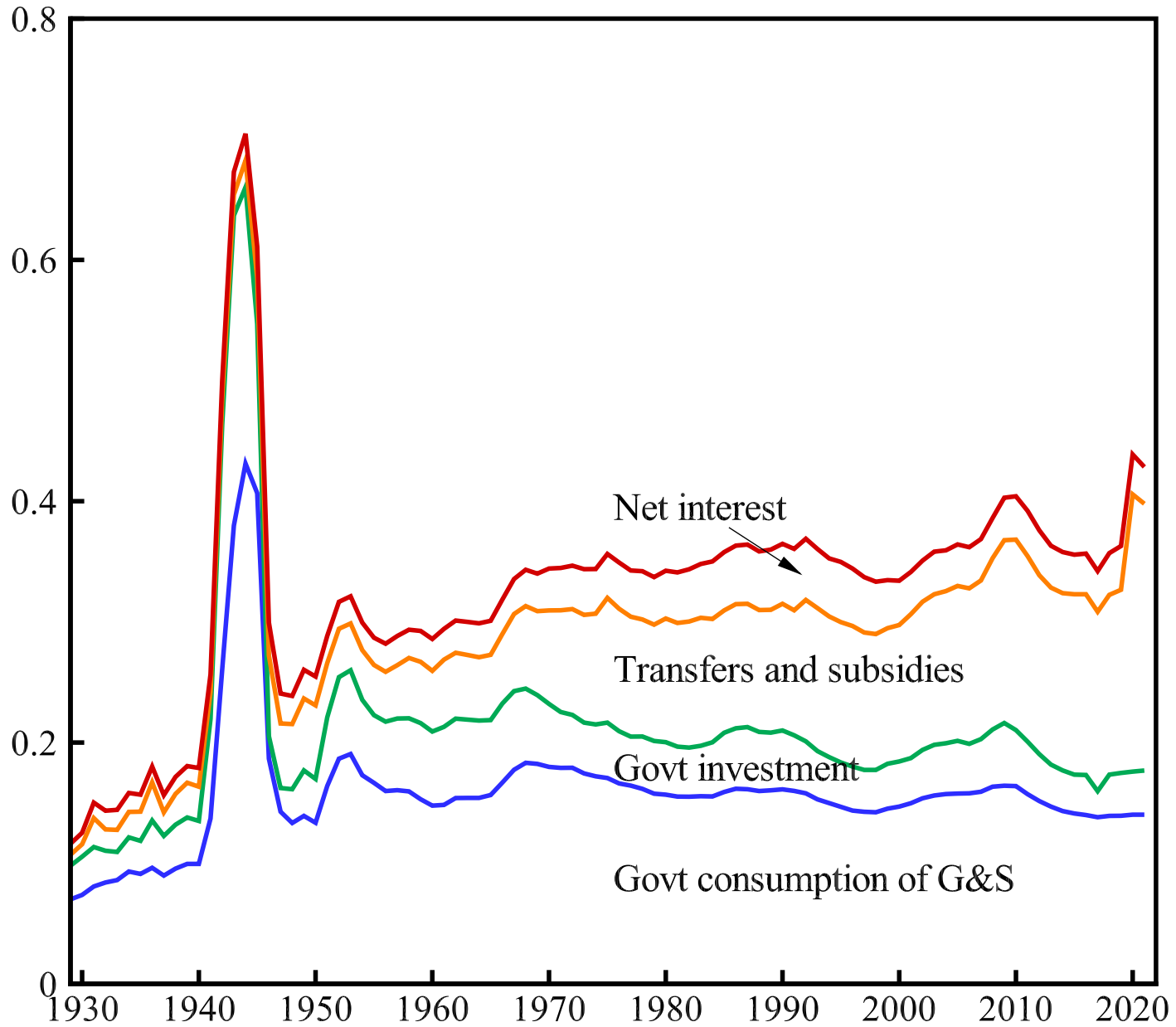


Two Measures of Spending



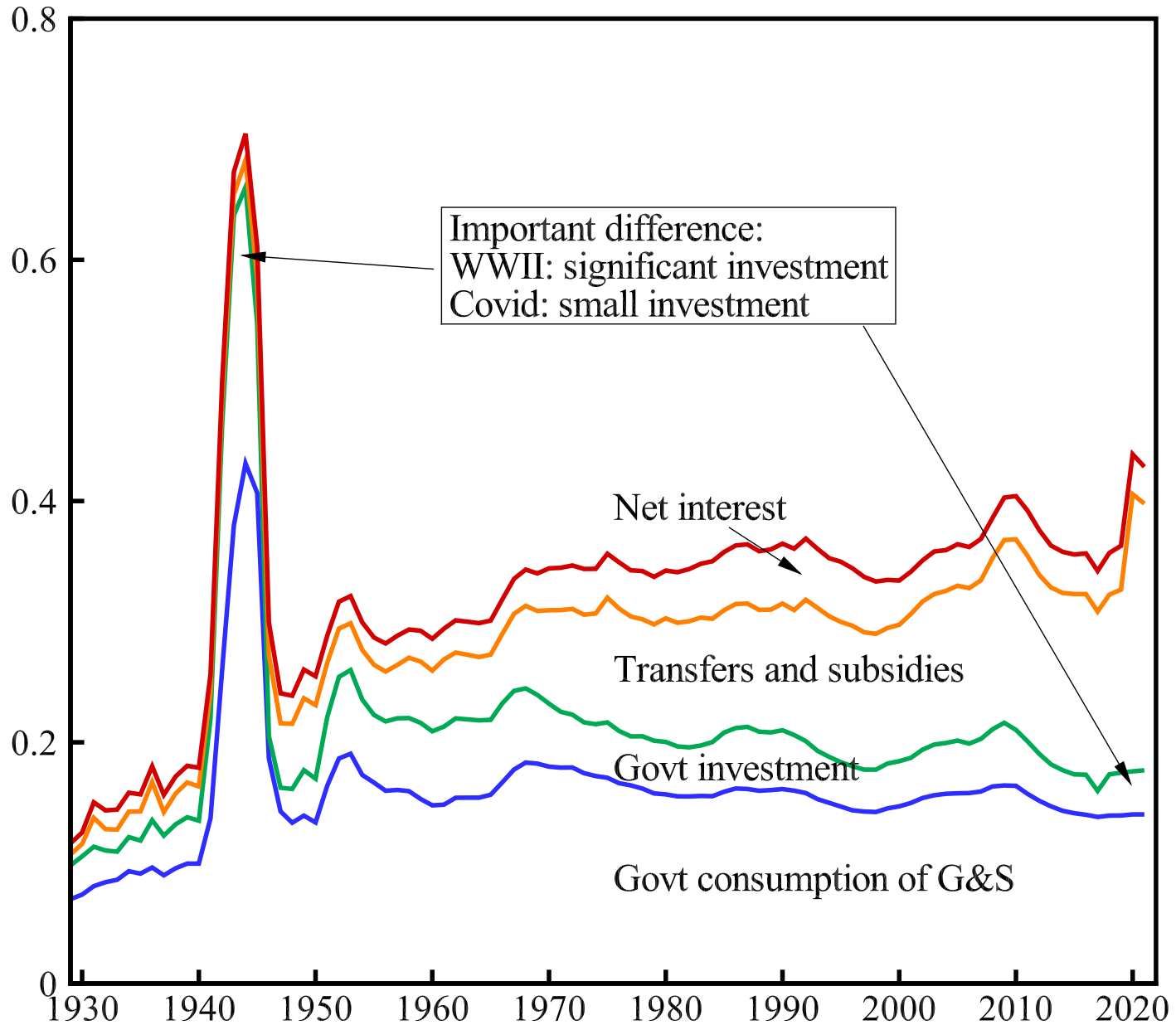


Deeper Dive into Total Spending



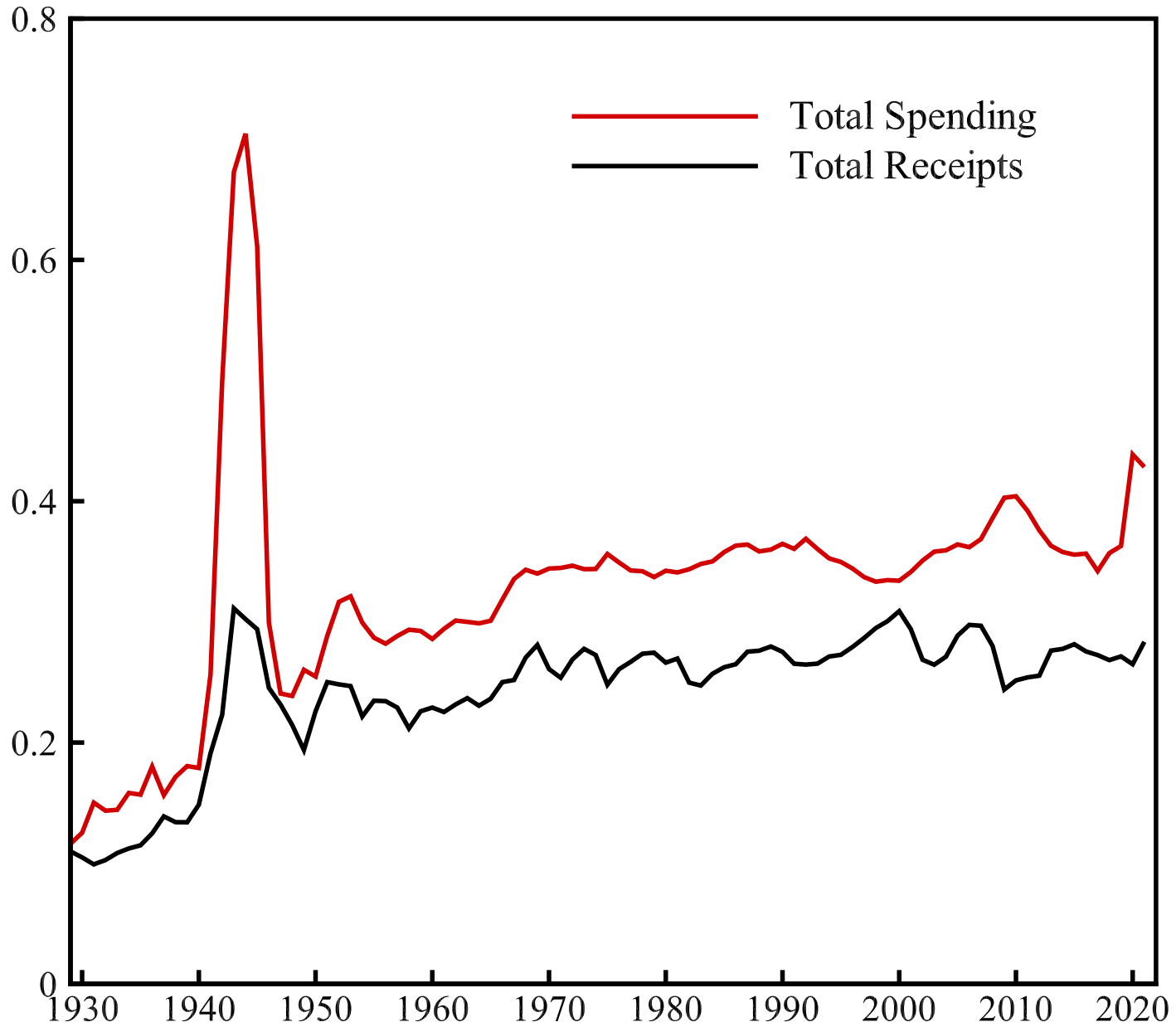


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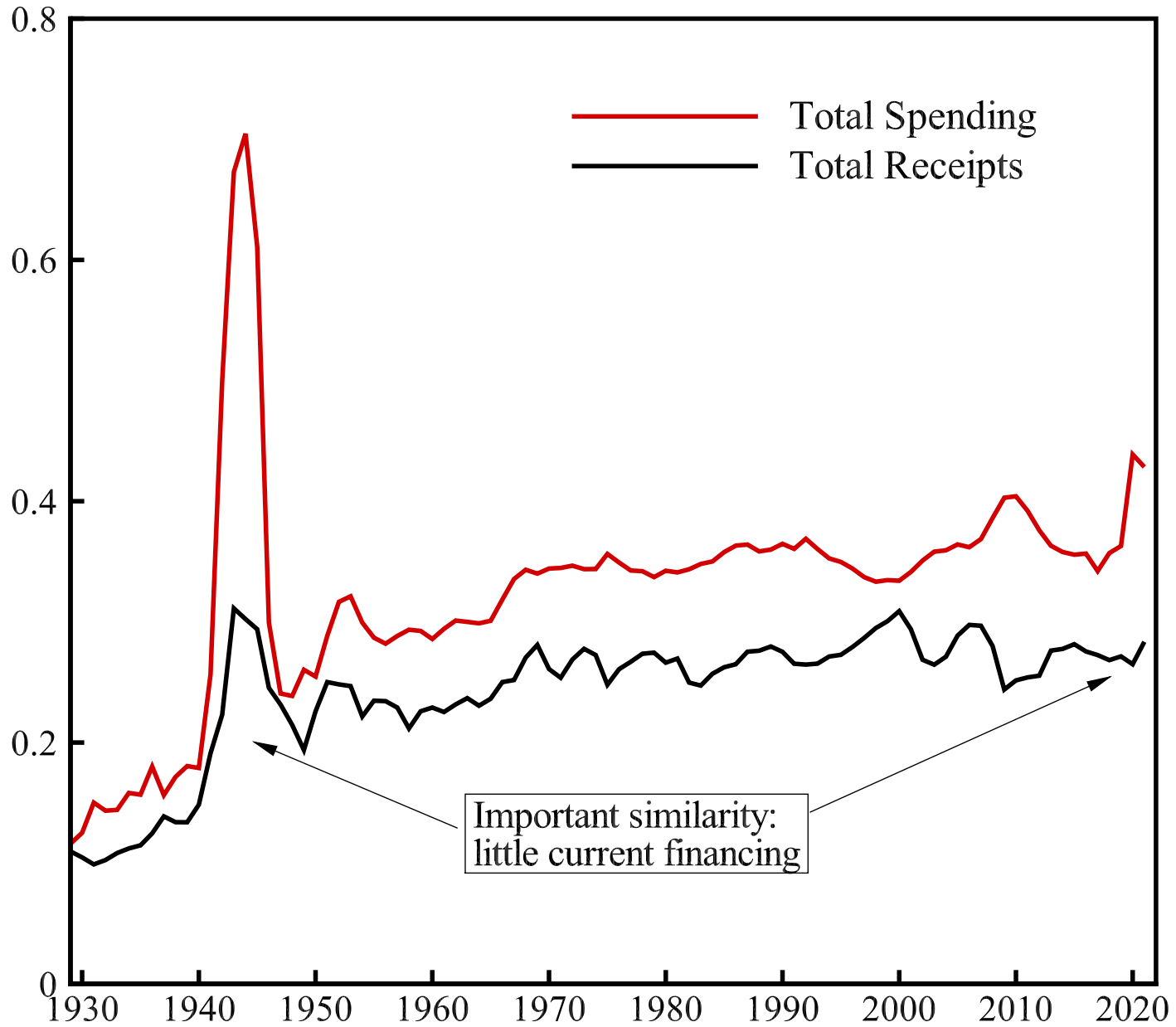


How Much Covered by Current Receipts?



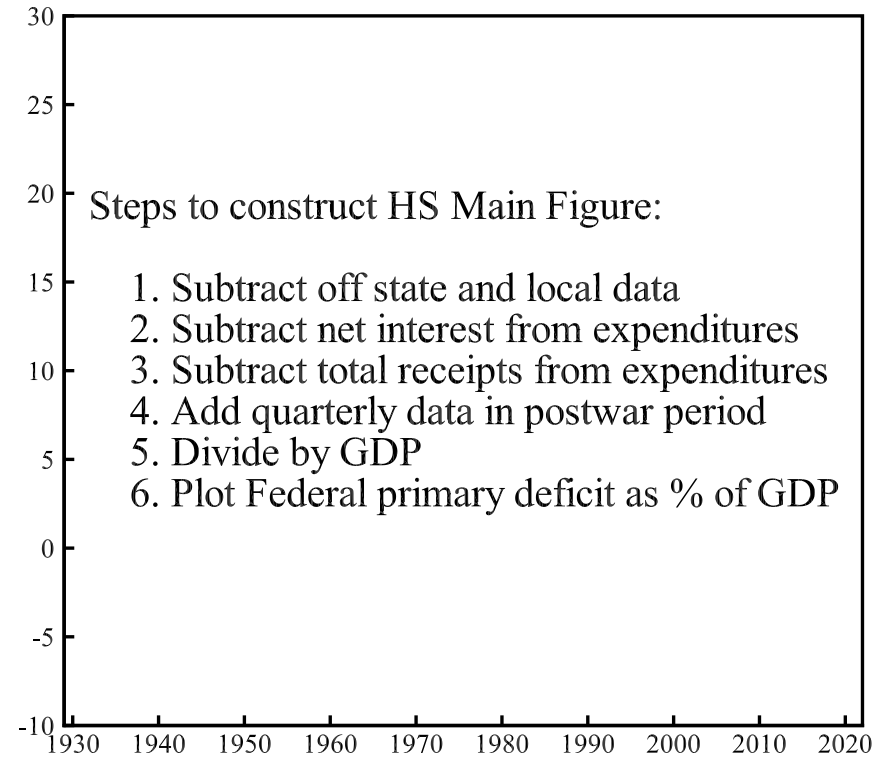
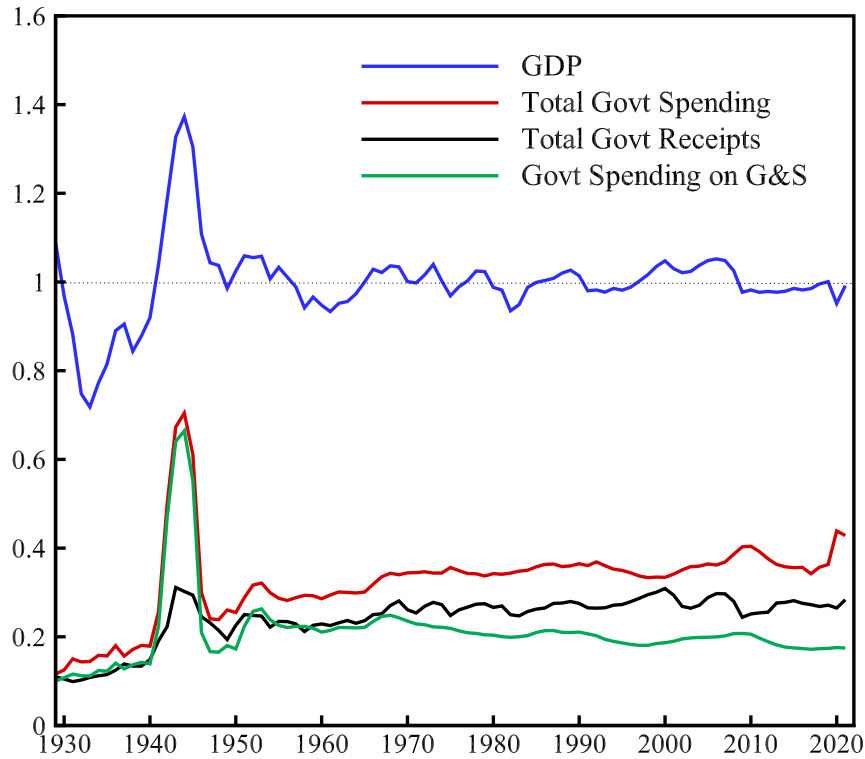


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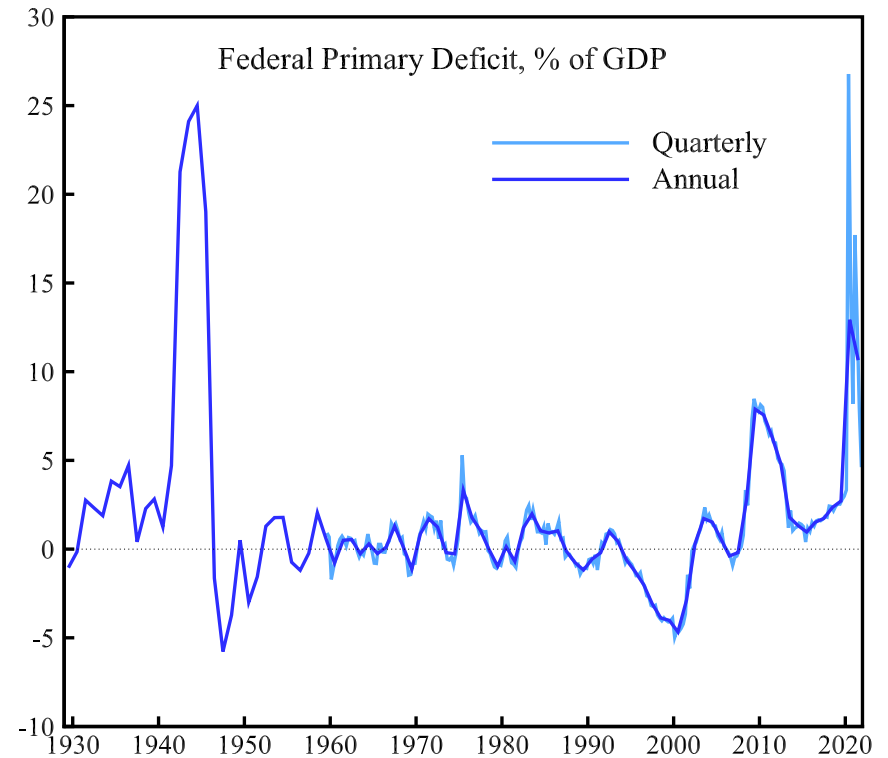
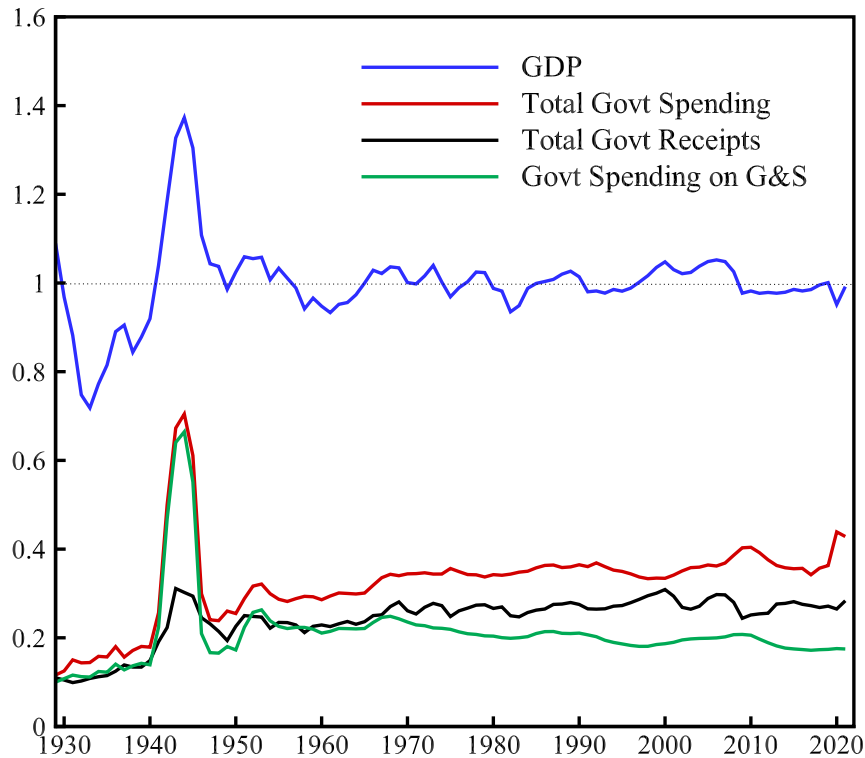


Compare to Hall-Sargent





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- Punch lines:

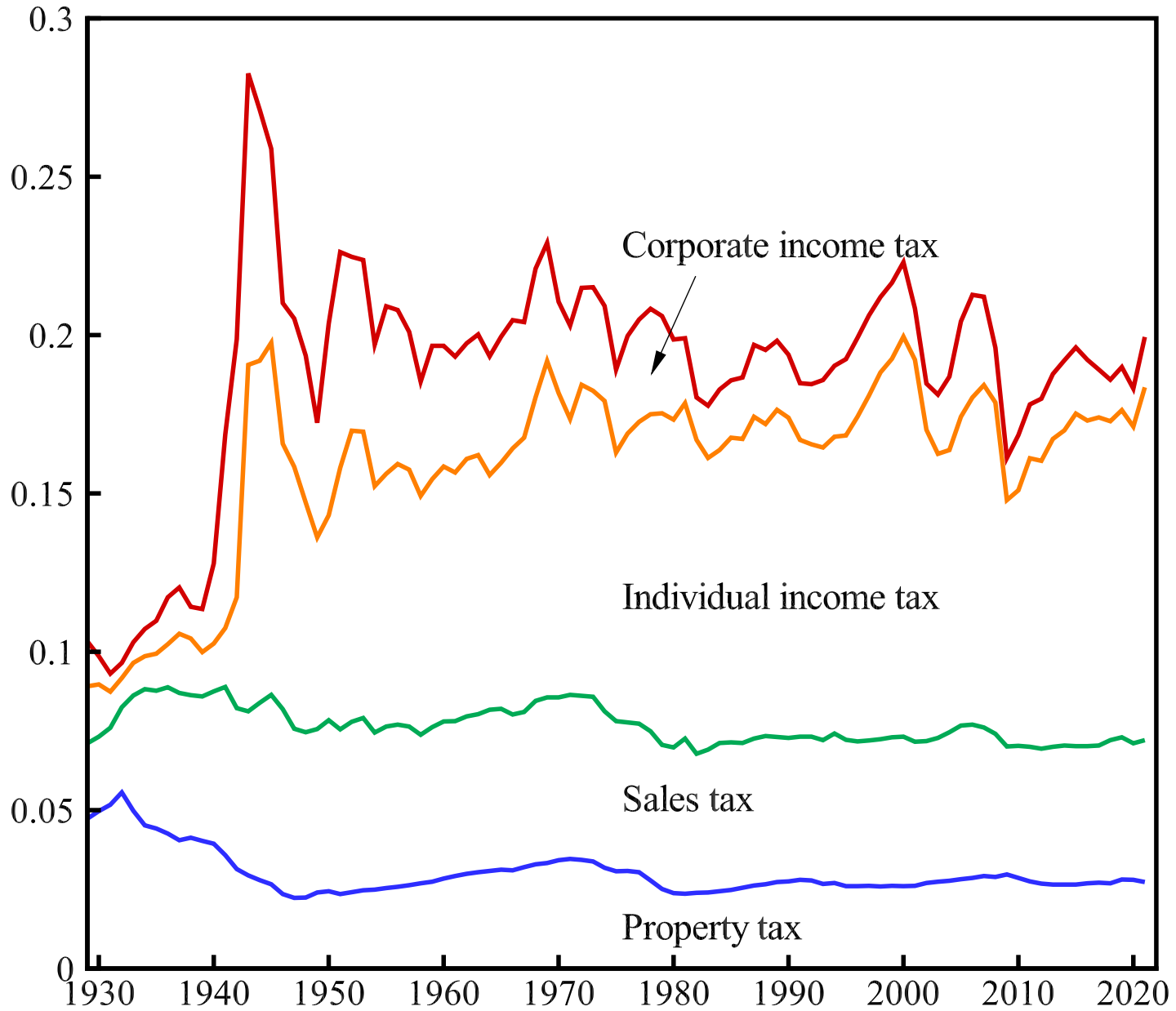
- Dividing by GDP obscures differences with WWII
- Breaking down spending highlights differences
- COVID extends growth in unfinanced transfers



WHO WILL PAY?

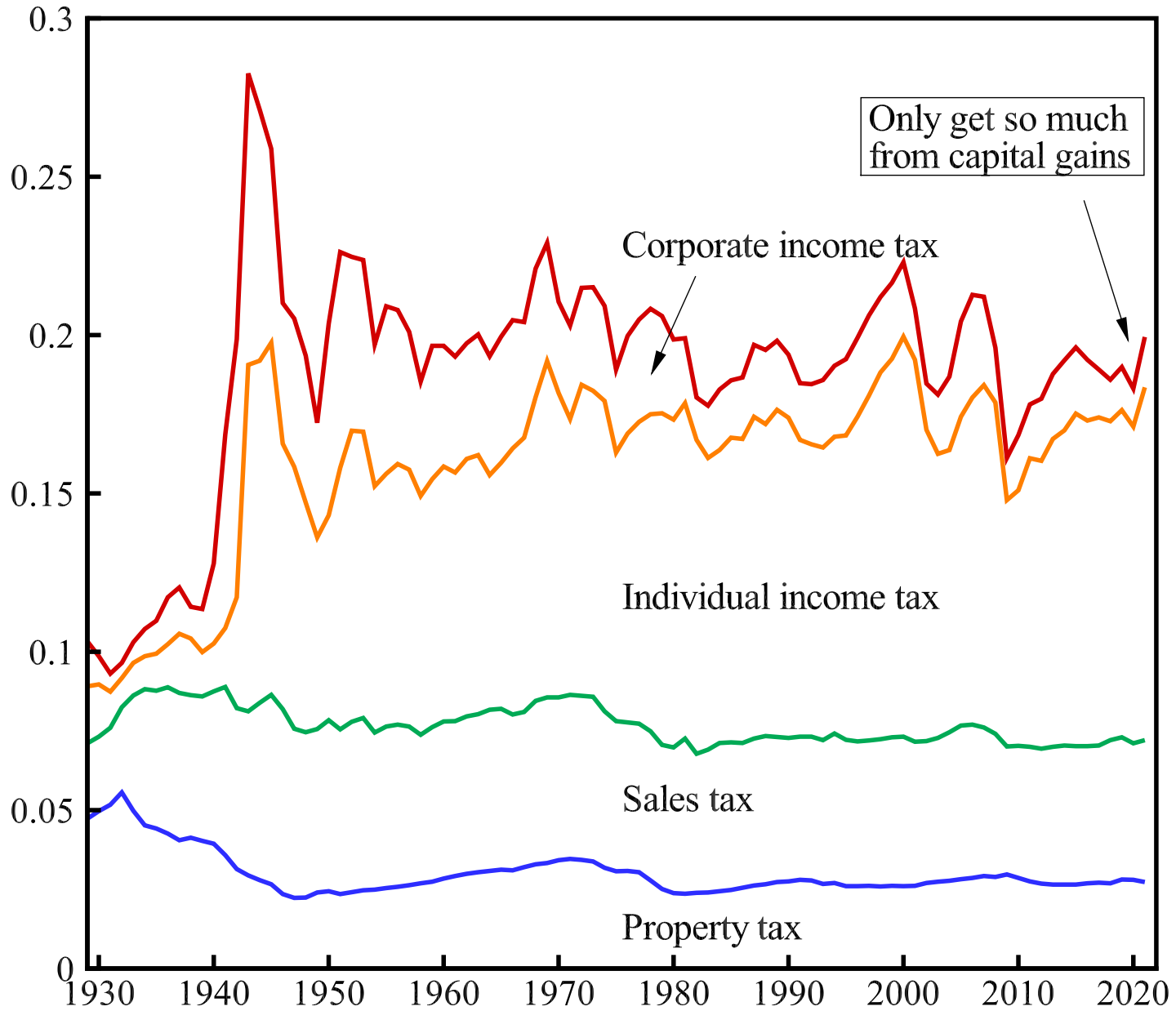


Current Taxpayers?



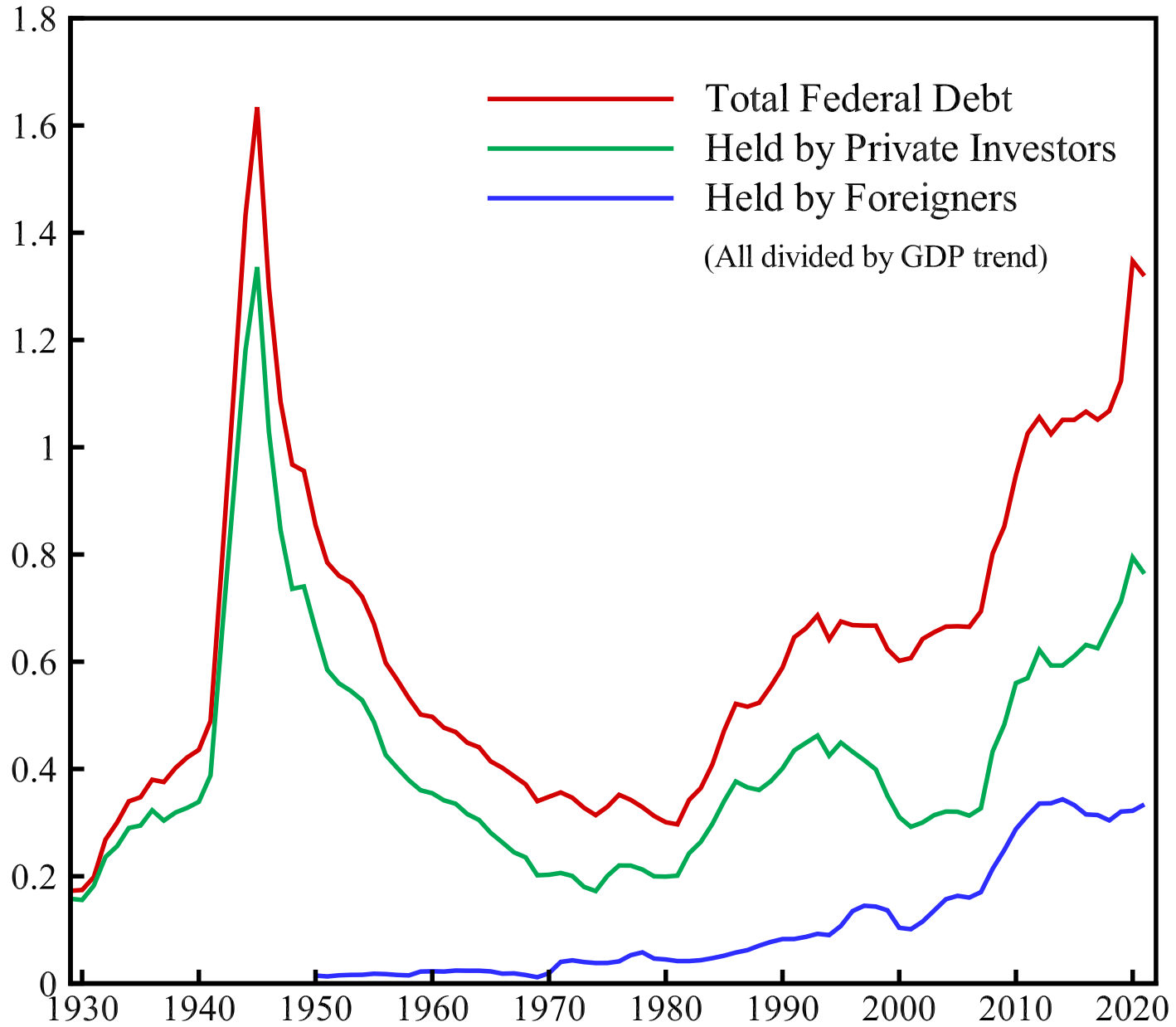


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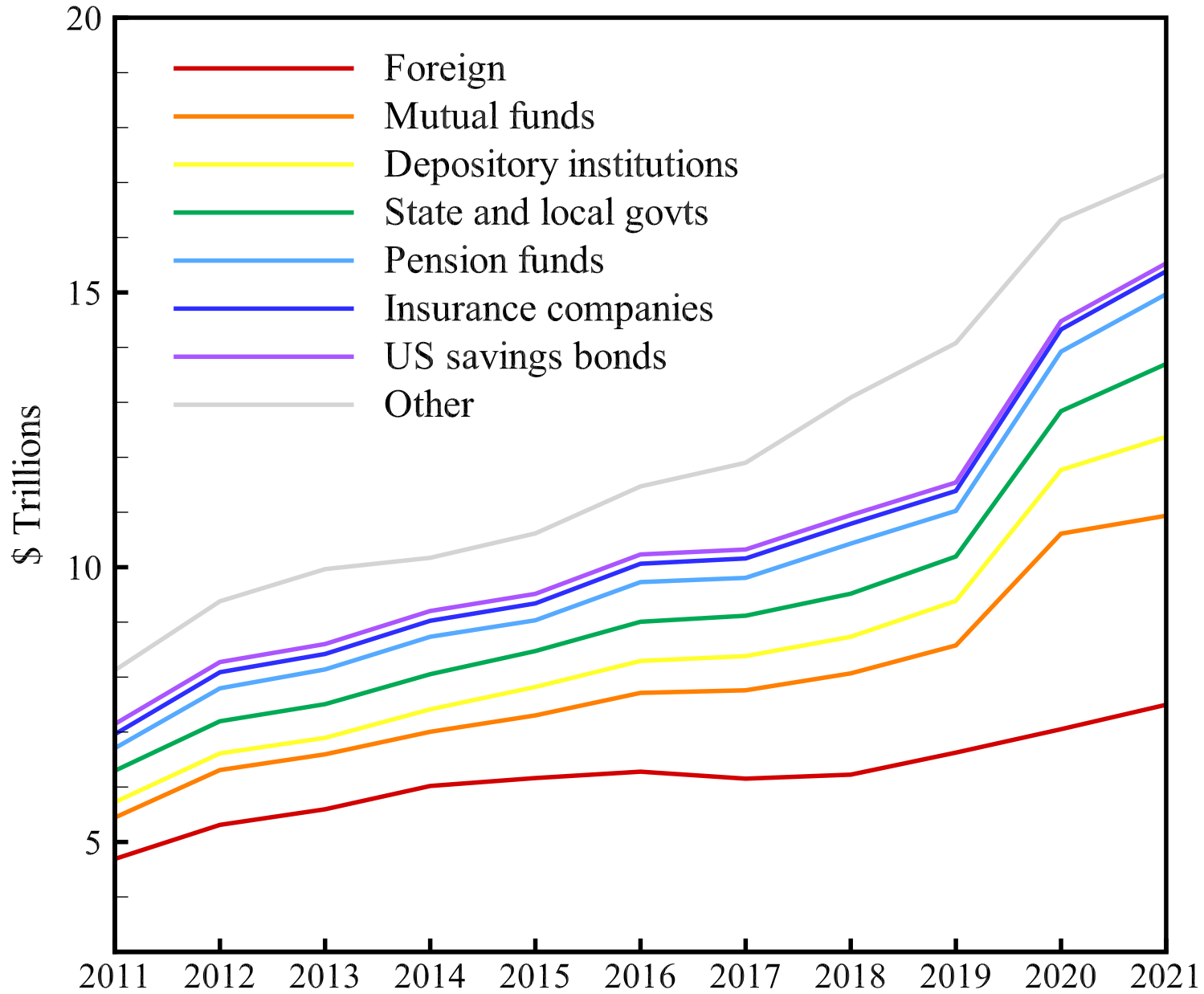


Bondholders?





Which ones?





Summary: Two Answers

- Is COVID-19 like a world war?
 - No large increase in G&S spending as in WWII
 - Just further expansion of unfinanced transfers
- Who will pay?
 - Likely future individual income taxpayers