Twitter Thread by Megan McArdle



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I want to call out this particular point in my larger tweetstorm, because it sorta maps onto a dumb talking point from the left: "The government can borrow and spend any amount we want. American *can't* have a Greek-style debt crisis, because we borrow in our own currency!"

> But American institutions are strong in significant part because we don't let politicians act like Donald Trump, particularly not when they get close to the white house. It's not a law of nature; it's something we're actively doing. If we stop doing it, we lose our immunity.
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> — Megan McArdle (@asymmetricinfo) January 8, 2021

My right-wing followers, of course, understand why this won't fly: America borrowing in dollars, and under US law rather than some neutral third country, is not a law of nature. People with money could easily decide it was too risky to make us dollar-denominated loans.

(Or at least, at any price we'd want to pay.)

What would make them decide this? The fastest way would be for America to borrow a metric crap ton of money, and then default or let inflation eat away the value of our loans so we're repaying pennies on the dollar in real terms.

And since the "America can't have Greek-style debt crisis" talking point is genreallly only uttered by people who are urgin gus to do exactly the sort of thing that make it more likely we'll have trouble borrowing money in dollars, this is just deeply, deeply silly.

I mean it would probably work for a while--as Adam Smith said, "There's a lot of ruin in a nation". I am prepared to concede that the natural stopping point of this binge might be quite a few years away. I only say there is some stopping point.

People will not lend us literally any amount of money, to the point where we couldn't possibly pay it back.

And to bring this back to where it started: humoring Trump was similar to saying "America borrows in its own currency!"

American institutions *are* strong, strong enough to contain Trump. His antics were unlikely to lead to the breakdown of American democracy. But that's precisely because the American system won't tolerate much of that sort of thing.

Stability, whether macroeconomic or political, is at best a small inheritance. At the end of the day, every generation has to earn its own way