Saving-Investment Imbalance and the Public Debt

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There are concerns about the sustainability of public debt in Japan, US and major European countries. In this paper the public debt problem is approached from the perspective of national accounting, analysing the distribution patterns of net financial transactions or financial net worth among the sectors. Empirical analysis suggests that the dearth of private-sector investment and the saving glut is the fundamental problem behind the swelling public debt.

Keywords: national accounting; financial accounts; financial balance sheets.