

Structural Shifts in Global Asset Supply and Demand

A Saving Glut Framework for Imbalances

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What is a saving glut?

In a “balanced” economy everyone roughly eats what they earn over their lifetime, i.e. common $\text{MPC}_{\text{wealth}} = (R_{\text{private}} - G) \approx 5.5\%$. Hence no imbalances.

Suppose a segment “s” (for savers) behaves very differently, with $\text{MPC}_{\text{wealth}}^s < (R_{\text{private}} - G)$, and their share of GDP ω^s rises by 4pp.

$$\omega^s \uparrow 0.04, \quad \text{MPC}_{\text{wealth}}^s = 0.015.$$
$$\text{Saving glut} = \Delta\omega^s \left(1 - \frac{\text{MPC}_{\text{wealth}}^s}{R_{\text{private},0} - G} \right) = 0.04 \left(1 - \frac{0.015}{0.055} \right) = 0.0291.$$

A permanent 4 pp of GDP rise in income share of the rich creates a

Saving Glut $\simeq 2.9\text{pp}$ of GDP every year.

Examples: rising top-income share, state capitalism, etc.

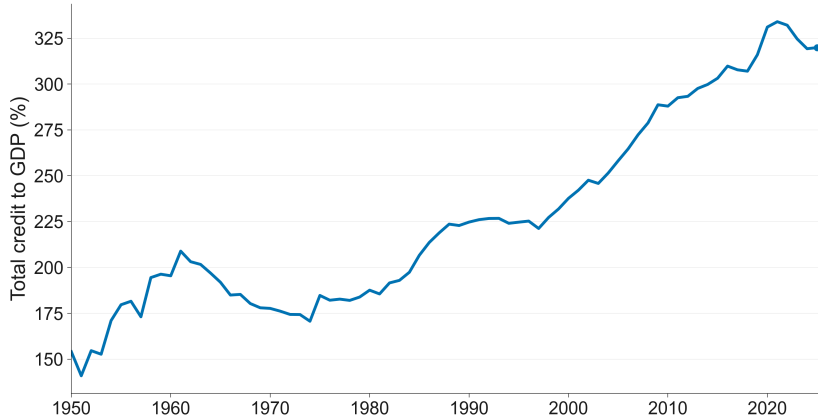
Saving glut cannot exist in equilibrium

Four possible macroeconomic adjustments to absorb the saving glut

1. As investment / capital creation on the supply side
2. As ($R_{\text{private}} > G$) borrowing by households to finance consumption expenditure [Mian, Straub and Sufi (2021), "Indebted Demand," *QJE*]
3. As liquidity trap with a permanent fall in output
4. As ($R_{\text{gov}} < G$) borrowing by government to fund larger primary deficits (consumption expenditure) [Mian, Straub and Sufi (2025), "A Goldilocks Theory of Fiscal Deficits," *AER*]

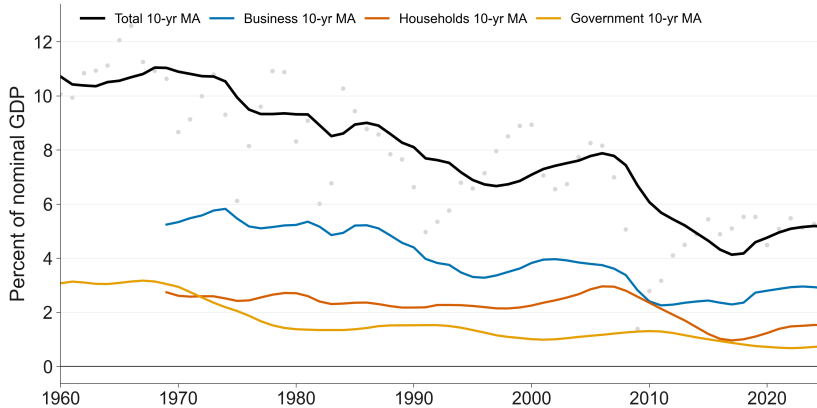
What actually happened as the world entered a world of saving gluts post Bretton Woods?

The rise of unproductive debt



Total credit is private nonfinancial debt (all instruments) plus central government debt. Through 2024: IMF GDD (2025-09-17); 2025 extended with year-on-year changes in Federal Reserve Z.1 private nonfinancial and federal debt to GDP.

Net domestic investment by sector

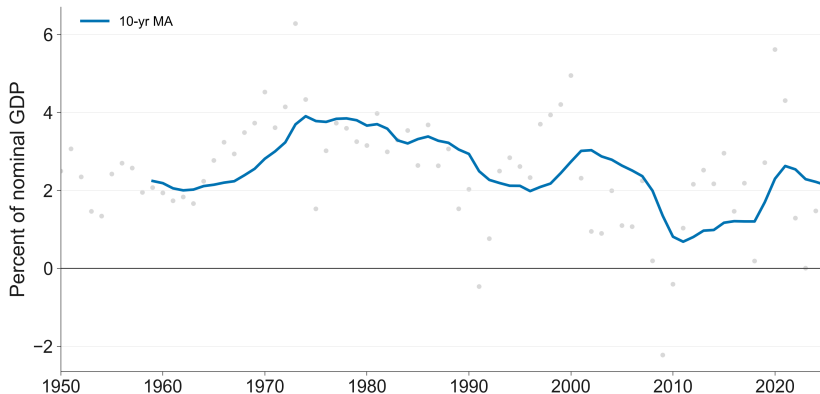


Sources: BEA via FRED.

Net investment equals gross domestic investment less consumption of fixed capital. Sector decomposition follows NIPA

Table 5.1: domestic business, households and institutions, and government.

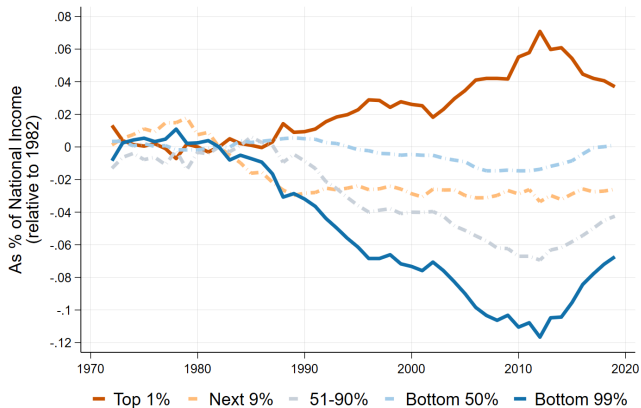
Net outside financing by corporate sector



Sources: Federal Reserve Z.1 and BEA via FRED.

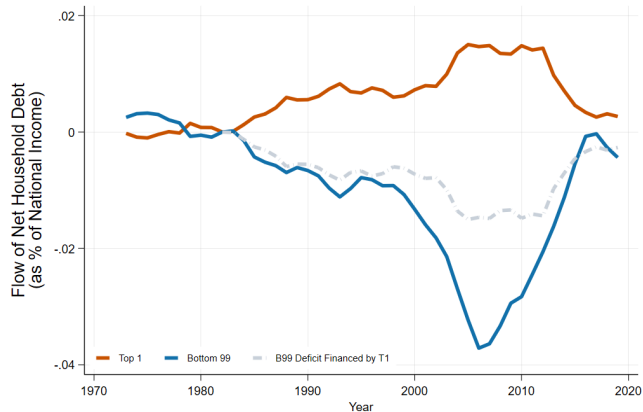
Net outside financing flow equals net issuance of debt securities and loans plus net equity issues for nonfinancial corporate business. Moving average is trailing 10-year.

Saving glut of the top 1%



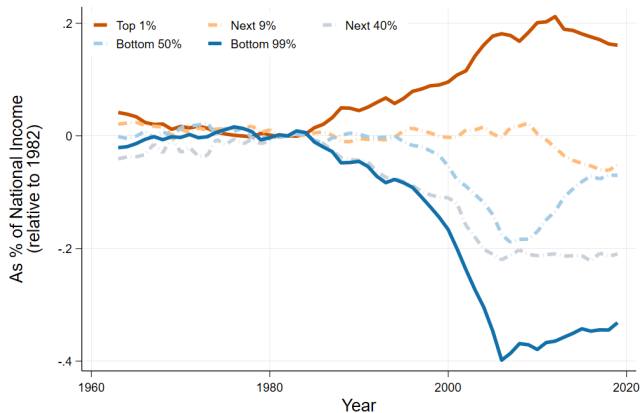
Source: Distributional National Accounts and the Federal Reserve Financial Accounts (Z.1), see Mian, Straub and Sufi (NBER WP 2025).

Flow of Debt Financing Across the Wealth Distribution



Source: Distributional National Accounts and the Federal Reserve Financial Accounts (Z.1), see Mian, Straub and Sufi (NBER WP 2025).

Net Household Debt across the Wealth Distribution

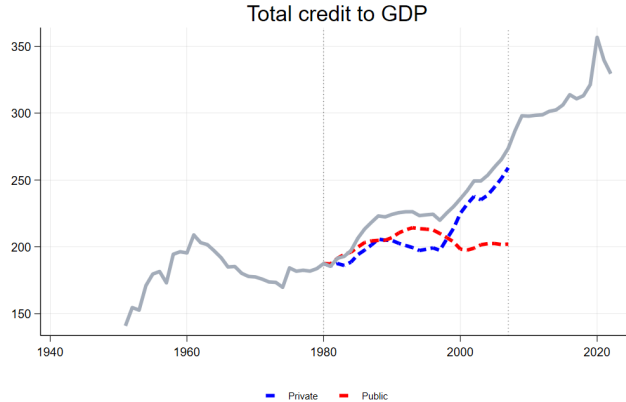


Source: Distributional National Accounts and the Federal Reserve Financial Accounts (Z.1), see Mian, Straub and Sufi (NBER WP 2025).

Implication of a saving glut framework

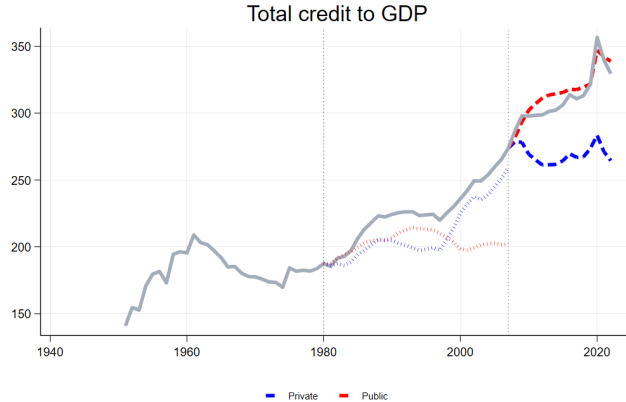
- Financialization: low rates, rising debt, and high asset valuations [Mian, Straub and Sufi (2025), “The Saving Glut of the Rich,” NBER WP 26941]
- Saving gluts provide a structural rationale for the origins of the 2008 Great Recession, and why its long shadow persists
- Saving gluts ultimately push toward *fiscal dominance*, as fiscal policy is driven by the need to absorb structural imbalances
- Monetary policy works via the financial or debt channel, by moving asset prices, debt service and borrowing
- AI capex boom in the presence of legacy unproductive debt generates new risks

Credit Decomposition by Private and Public: 1980-2008



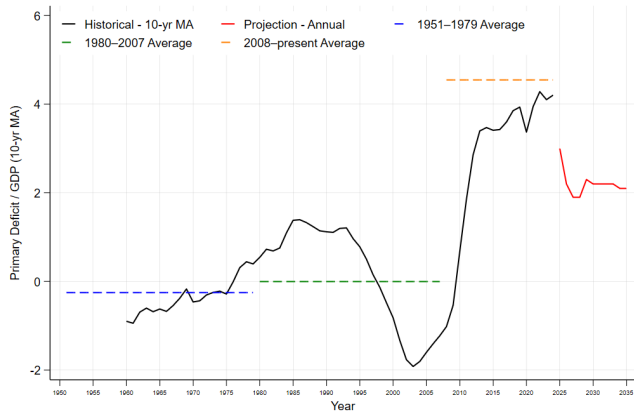
Source: Data for U.S. from IMF Global Debt Database.

Credit Decomposition by Private and Public: 2008-present



Source: Data for U.S. from IMF Global Debt Database.

U.S. Primary Deficit



Source: Federal surplus/deficit and federal interest outlays (OMB, via FRED); projections from CBO, *The Budget and Economic Outlook: 2025 to 2035*.