

## Options for Reducing Federal, State and Corporate Debt

Transcript of a video recorded 10/17/19

When you're in debt, there are only three basic ways you can get out. The first is to default, the second is to pay it back and the third, especially if you're a sovereign, is to pay it back, but in depreciated dollars.

When you look around the world, there will be some defaults. We came very close to that in 2008, but the chances of the United States actually defaulting on its debt are virtually zero, so that's very low.

Now, there is a chance we're going to be austere. We're going to tighten our belt, we're going to live within our means and pay—or at least service—the debt in current dollars, meaning non-deflated dollars.

I think that's going to be hard to do, though. I think the lure of creating inflation to solve past politicians' promises is going to prove very hard to resist.

So, long term, from the sovereign standpoint, I think inflation will be part of the repayment plan. For companies and states, though, that's not really an option. I think long term you are going to see selective defaults, restructurings—and, again, some pretty significant problems long term—because of the debt.



**MATT FREUND**

**Co-CIO, Head of Fixed  
Income Strategies, and  
Senior Co-Portfolio Manager**

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