

Interest rate rises are welfare for the best off in mor...

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For those not aware, Stephanie Kelton writes a regular [Substack column called The Lens](#). I think there is a paywall.

In the latest edition she notes:

At the macro level, the federal government is a net payer of interest, which means that the Fed's rate hikes work like expansionary fiscal policy in the sense that they translate into hundreds of billions of dollars in additional spending by the federal government.

She is right of course. In her customary way she then analyses what this means from an MMT perspective, noting along the way that:

*As a reader of The Lens, you might be wondering, "Why do you care about the budgetary impacts? That seems inconsistent with MMT." And you're right! I'm not writing this because I'm interested in the fiscal impacts of the rate hikes, *per se*. I have concerns with the [distributional implications](#) of the rate hikes, and I'm always concerned with inflation risk.*

Again, Stephanie is right. These are the issues of concern.

Hiking interest rates boosts government spending. The money goes to the people with lowest spending multipliers but who are also likely to be price indifferent, and who will as a result willingly boost the price of big ticket items. Meanwhile, those on low incomes suffer austerity and the inflationary consequences.

Interest rate rises are welfare for the best off in more ways than one.