

Causes and effects of government debt and possible ways to the long-term solution

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Abstract: Article discusses in theoretical way causes and effects of government debt and the most effective ways to solve it. Firstly are identified causes of unsustainably high government debt stemming from endogenous and exogenous reasons, including discussion of negative impacts on long-term deficits risk premium, private investment and economic growth. Next chapter is devoted to proposals of possible solutions of the government debt consequences, which stands on two pillars - creating the conditions for long-term economic growth, which also involve the elimination of the causes of previous imbalances and the actual debt, which outlines ways on both the revenue and the expenditure side, including possible amortization of a debt or its repurchase by central bank.

Keywords: business cycle, government debt, stabilization policy, fiscal imbalances

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