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There is no fiscal crisis. And macroeconomics is not a morality play.

By Neil Irwin , Updated: December 20, 2012

Two separate events from the last few days, on two different continents: In the United States, a messy series of negotiations over how to avert the fiscal cliff and bring down the nation's large budget deficits seemed to be heading nowhere. In Japan, a land of the largest public debt in the world relative to the size of its economy, a new government was elected pledging to pressure the nation's central bank to inflate the money supply much more.

Here are two numbers to know about the United States and Japan: 1.79 percent and 0.77 percent. Those are the yields on 10-year bonds in those two nations as of Thursday morning, the price their governments must pay to borrow money for a decade. In other words, investors are willing to fling their savings at those two seemingly dysfunctional governments for next to nothing.

But it's not just the United States and Japan. Name a country with three elements—a stable political system, a credible central bank to call its own, and a free flow of capital across its borders—and it has, right now, extraordinarily low interest rates. That's true for Canada and Australia (10 year yields of 1.85 percent and 3.36 percent), of Switzerland and Sweden (0.55 percent and 1.6 percent). Britain, certainly (1.94 percent), but even some countries that don't technically fit our classification because they lack their own central bank (Germany at 1.42 percent and France at 1.99 percent. That would be the same France that The Economist, in a cover story last month, called "the ticking time bomb at the heart of Europe.").

So what is going on? Interest rates are, essentially, the relative price of money today versus its value in the future. And investors are saying that they don't need very much compensation to delay their spending for the future, as long as they can feel secure that they will get their money back and that the money they get back will be worth roughly what they put in.

To put it a different way, around the world there are all sorts of savers—pension funds, wealthy individuals in emerging nations, governments that want to ensure they have reserves put aside in case there were to be a run on their currency—for whom the goal is not so much to get a big yield on their savings, but rather to ensure that they will get their money back when they need it.

One of America's greatest exports, then, is not any physical good, but offering the world a deep, liquid, secure bond market. We may have dysfunction in Congress and large deficits as far as the eye can see, but as long as investors are confident that the Treasury will honor its debt obligations and the Federal Reserve won't allow out-of-control inflation, the United States looks like a terrific place to park money.

There are three points to draw from that.

One is that as the United States looks to reduce budget deficits, it should do so on its own terms. We should figure out what path of deficit reduction would be best for our economy, leaving us with more sustainable finances in the longer run without sucking the wind out of growth. We are not Greece, a nation that found itself unable to pay its debts and had austerity forced upon it by the outsiders offering bailout cash. We have time, and we should use it wisely.

Second, if there are things we can do with the cheap money the world is flinging at us that would make the U.S. economy more competitive in the longer run, we should take advantage. There are reasonable arguments to have on what that might be—infrastructure versus education spending, for example. But if there is spending we could do that would increase our economic potential over the generation ahead, we are fools not to do it.

The third point to draw from the low global interest rates is this: There is an unfortunate tendency to treat the size of budget deficits and the level of inflation or unemployment in moral terms. Surely when a nation sins through fiscal irresponsibility and tempts the devil inflation, it ought to receive the wrath of a vengeful god. But that's not how it is. Macroeconomics is not a morality play. Macroeconomics is like the weather. Sometimes the weather is nice and sometimes there is a mighty hurricane. It just is. What we all need to do is adjust to the reality as it is, not pretend the weather is as we think it ought to be.