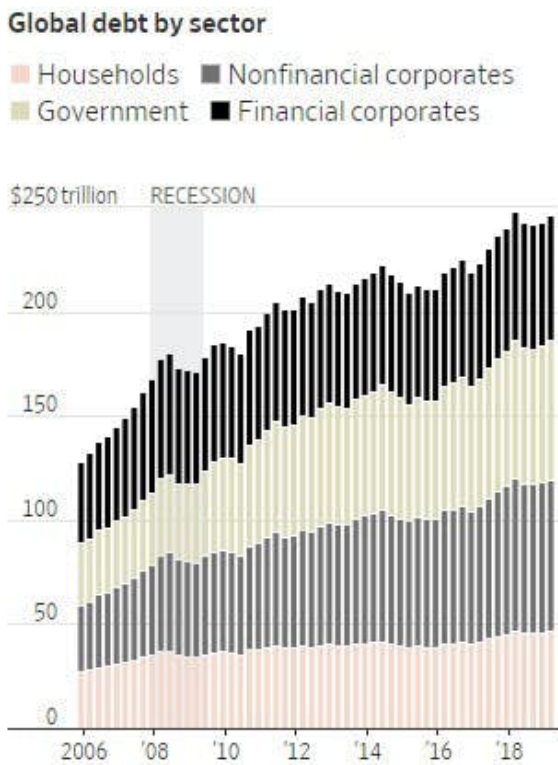


# \$250 Trillion In Global Debt: How Can That Be Paid Back

Global debt just topped \$250 trillion. Please ponder paying the interest on that, let alone the principal.

## Global Debt by Sector



Source: Institute of International Finance

## Interest rates

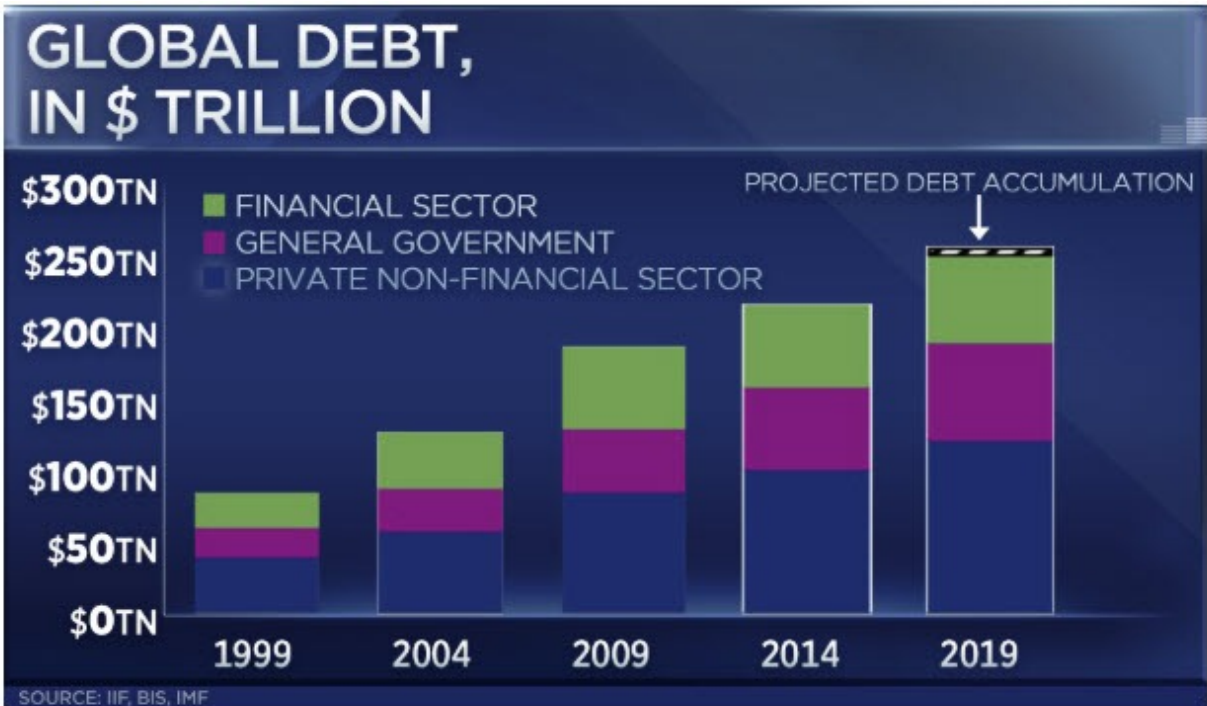
Australia U.S. U.K. Canada



Sources: Reserve Bank of Australia; Federal Reserve System; Bank of England; Bank of Canada

## Global Debt \$250 Trillion and Rising

Please note that [Global debt surged to a record \\$250 trillion in the first half of 2019, led by the US and China.](#)



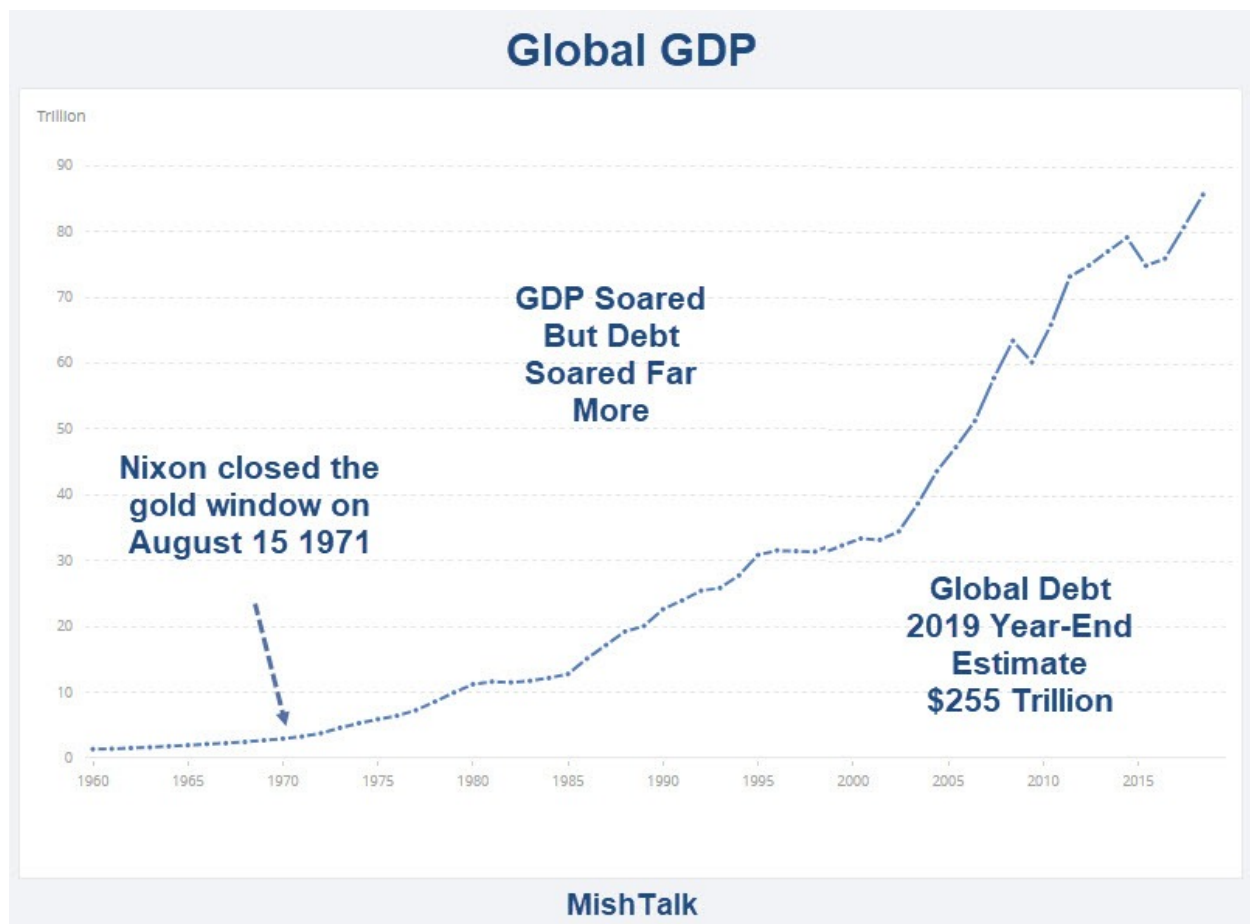
What about Global GDP?

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## Global GDP



Global GDP Numbers from the [World Bank](#).

To get a \$1 rise in GDP it takes about a \$3 rise in debt.

Things keep pointing back to 1971.

I have written about the importance of 1971 many times, most recently in [Nixon Shock, the Reserve Currency Curse, and a Pending Dollar Crisis](#)

## Dollar Crisis

A reader asked the other day what I meant by "*dollar crisis*".

What I meant to say was "*currency crisis*" and the above title is now changed.

Since the dollar is still rising (thanks to European, Japanese, and Chinese tactics), It may take even bigger US deficits before something major breaks.

On that score, both political parties in the US are poised to deliver increasing deficits as far as the eye can see.

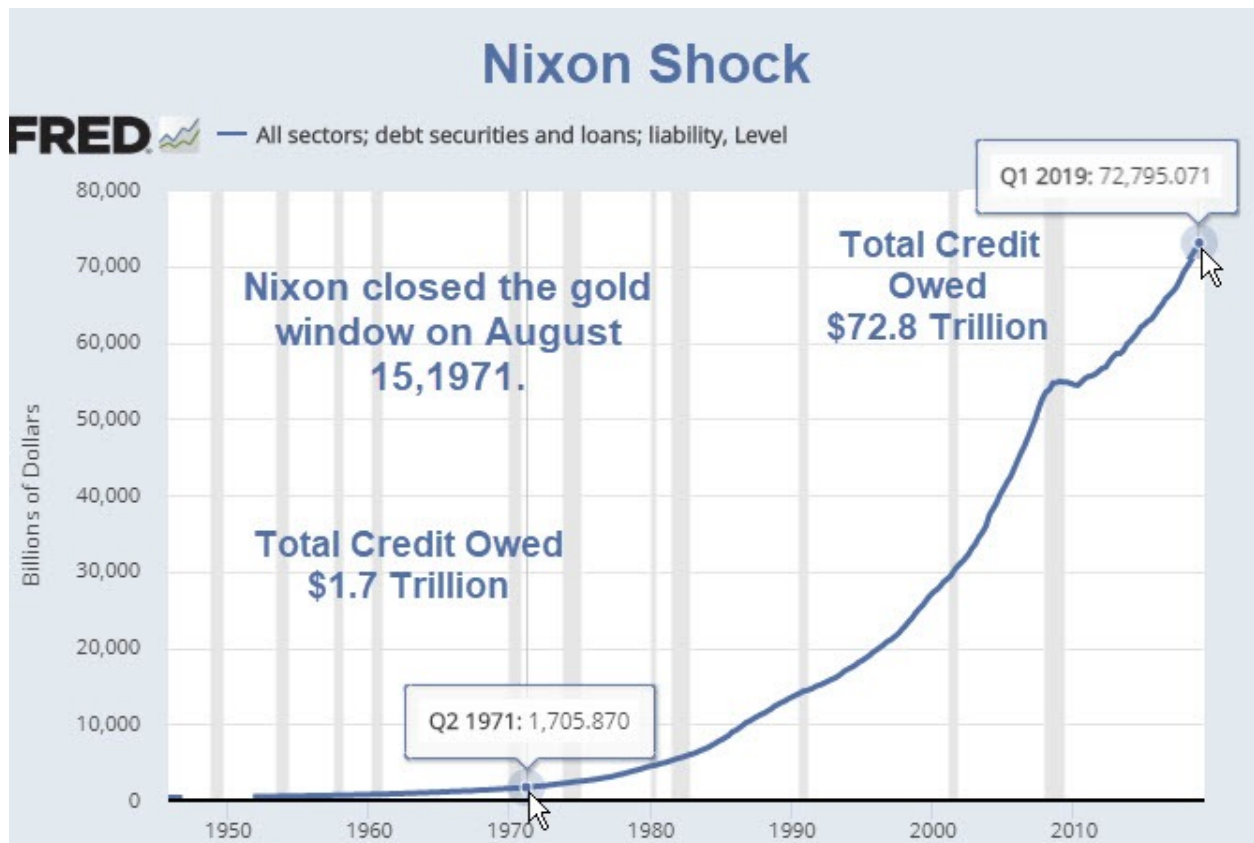
Meanwhile, negative interest rates are destroying the European banks. For discussion of this important issue, please see [In Search of the Effective Lower Bound](#).

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## US Picture



## Currency Crisis Awaits

\$250 Trillion in debt. How will that be paid back?

I expect an uncontrolled collapse of a major currency, debt market, or bank system that cannot be funded. It is hard to say where it starts but I doubt it starts in the US.

Chinese and European banks are in far worse shape than US banks. European banks are getting hammered by negative rates.

Japan still struggles with decades of Abenomics.

The Fed and Central Banks brought this on by refusing to let zombie banks and corporations go under and insisting on cramming more debt into a global financial system choking on debt.

But this all has its roots in 1971. Central banks are the enablers, but Nixon Shock set things off.

A currency crisis awaits but the timing and conditions of the crisis are not knowable. It can start anywhere but I suspect the EU, Japan, or China as opposed to the US.

*Ponder even paying the interest on \$250 trillion, let alone the principal. What interest rate will it take?*

Meanwhile, please reflect on gold.



## Gold is Not a Function of the US Dollar Nor is Gold an Inflation Hedge

In the link below I post charts that make a mockery of the claim gold is some sort of inflation hedge or tied to movements in the US dollar.

But if [Gold is Not a Function of the US Dollar Nor is Gold an Inflation Hedge](#), what is it?

Here's the answer.



If you think central banks have everything under control, gold is not where you want to be.

If you think otherwise, gold is where you want to be.

Do central banks have everything under control?

## Addendum

My friend Pater Tenebrarum at the [Acting Man Blog](#) just pinged me with this pertinent thought:

*"The answer is of course: It won't be paid back. And since every debt is someone else's asset, you can imagine what that ultimately means. **A great many people are a lot less wealthy than they think. It is all phantom wealth that can disappear in an eyeblink.**"*