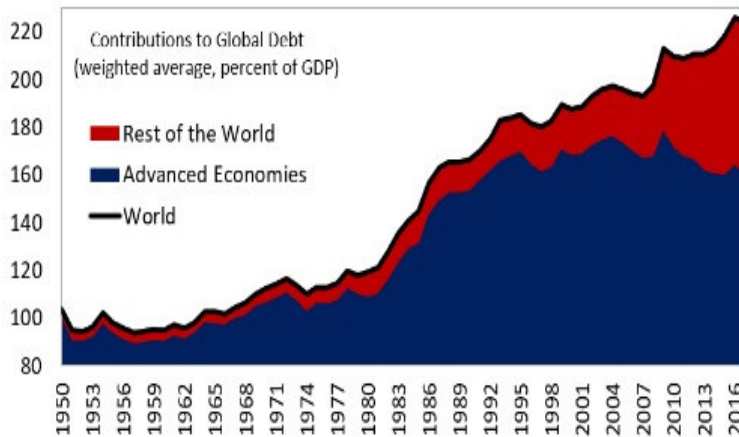


Population versus Debt Growth?

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Global population has grown dramatically since the end of WWII and it is by no coincidence that the debt fuelled growth especially since the US came off the gold peg in 1971 has driven this ever higher. It started out as a race between competing ideologies of a 'liberal' free market western versus a communist state driven economy of the Soviet bloc and China. The Vietnam War almost bankrupted the US financially and morally but along came the fiat debt fuelled growth that allowed the West to out compete the Soviets. This largely dollar denominated debt has driven global growth and with it the populations. US President Nixon opened the door to China as a counter balance to the Soviets and also to extend US debt driven growth; later presidents and Western Govts removed capital and credit controls so that they could grow faster and export western ideology. The global banking cabal was the main beneficiary as increased debt meant increased revenues and profits. The losers were the ordinary workers with a divergence between wage growth and GDP.

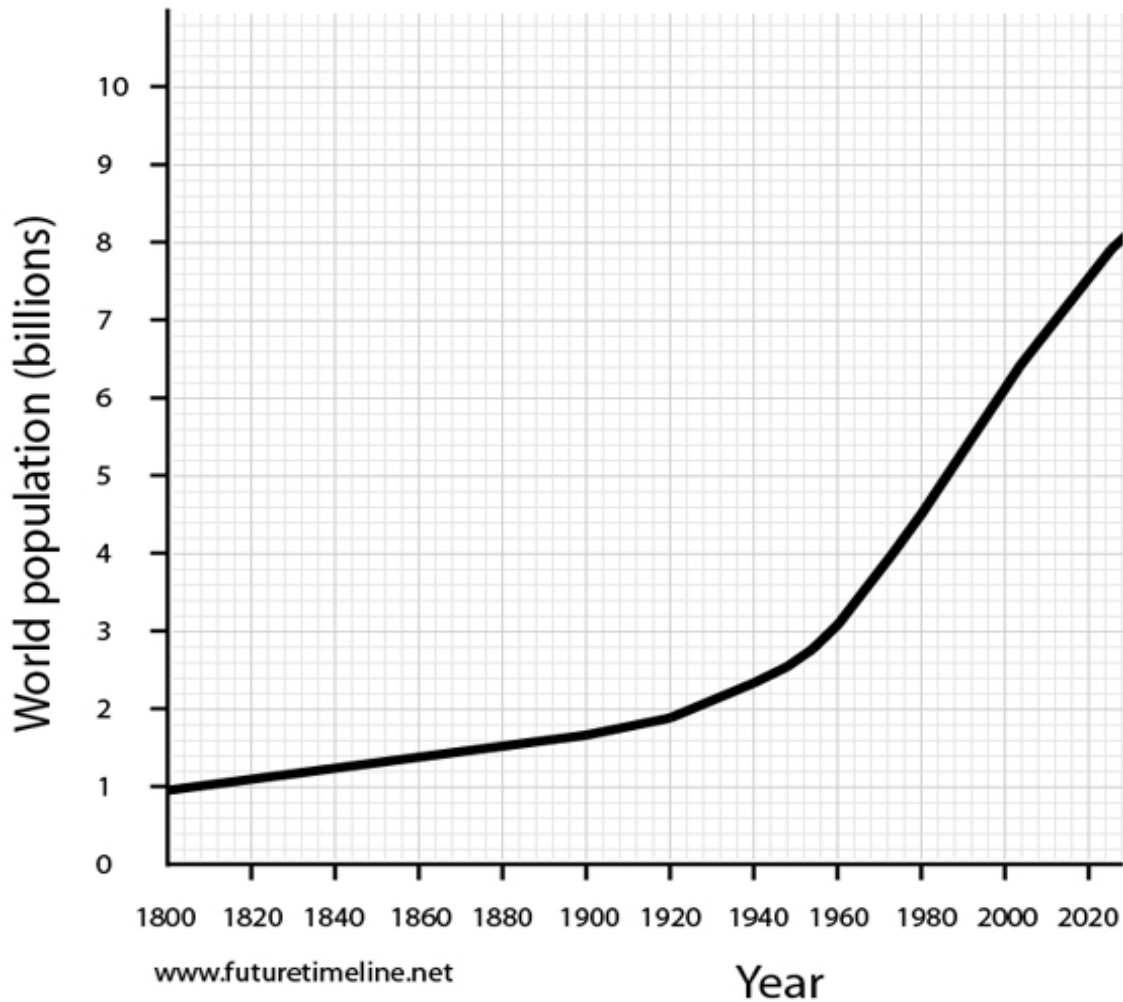
A history of debt



Sources: Global Debt Database and authors' calculations.



We can see from the graph below that there was always steady population growth up to the middle of the 20th century as technology and other improvements allowed a better standard of living with reduced mortality rates. However the accelerated growth since the 60s has been debt fuelled and now we have a huge debt overhang with a much larger global population. In 1960 we had global debt of about 100% of global GDP and a population of about 3 billion. We now have global debt of about 230% of global GDP and population has increased in equal measure to about 7 billion. We can neither afford to continue growing our debt or our population before serious conflict and/or other natural disasters cause a collapse.



We have not only borrowed growth from the future but we have financed an ever larger global population. It is this unprecedented debt that has allowed us to consume resources at an unsustainable level and caused our environment and culture to be impacted through mass migration, largely from the under-developed nations to those where the fiat money has been created.

Where do we go from here? Well we can continue to drive debt fuelled growth and a polarisation of wealth with an eventual societal collapse or we can allow wages to rise relative to GDP. This will lead to higher interest rates and a collapse of the bond markets. Those holding the IOUs would have to take losses as the gap between the richest and the median income group narrows. It is very likely capital markets would freeze and therefore Govts would have to step up to the plate with 'shovel ready' projects. Capital controls would have to be reintroduced to prevent capital flight to safe havens. It would in effect be the end of 50 years of debt driven globalisation. It will mean a huge reduction in financial markets and a mass realignment to productive capacity. The political consequences are huge as Govts would need to return to sound money for international trade and to manage the balance of payments with gold or commodity transfers to settle any imbalances; it would mean Govts and nations living within their means.

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