



Should We Worry About The World's Debt Problem?

"A trillion here, a trillion there, and pretty soon you're talking real money."

This famous quote was supposedly made by the late US Senator Everett Dirksen, who served in the 1960's, and originally referred to overspending by the US federal government in the millions, not trillions, which is orders of magnitude larger.

At the end of Q3/2023, the Institute of International Finance estimates global debt at \$307 trillion, possibly having reached \$310 trillion by the of the last year – an increase of roughly \$100 trillion over the last decade.

Chart 1: Total Global Debt Stock Exceeds \$307 Trillion

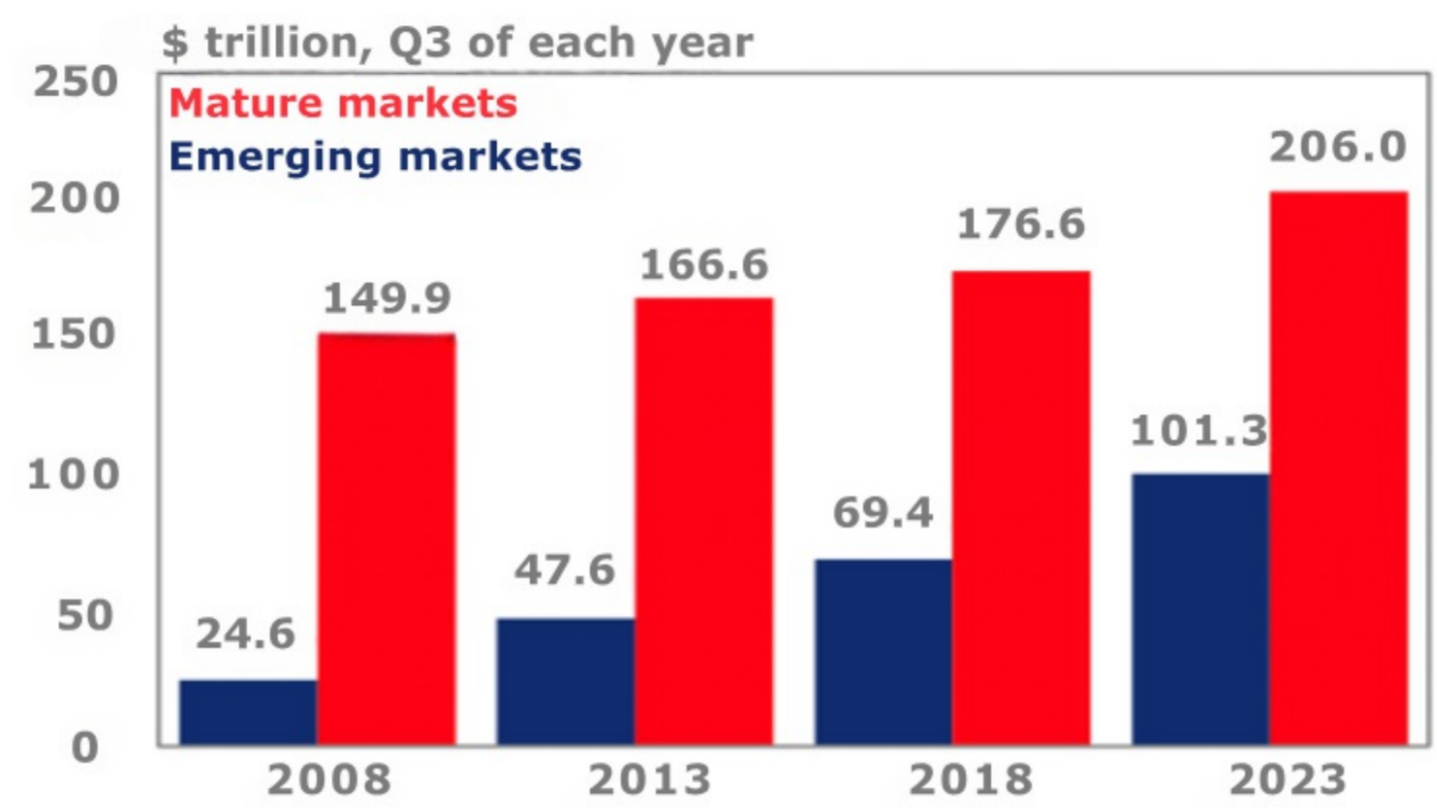


Chart Source/s: IIF (16 November 2023)

The biggest jump in global debt occurred at the government level. The US official debt, for instance, surpassed \$34.1 trillion this month, up from \$31.4 trillion at the beginning of 2023.

We all understand higher debt levels combined with higher interest rates, leads to a substantially higher interest rate bill. In 2023, the US government's interest bill exceeded \$1 trillion for the first time. This trend is echoed globally, as illustrated in the chart below.

Chart 2: Secular Rise In Government Interest Expense

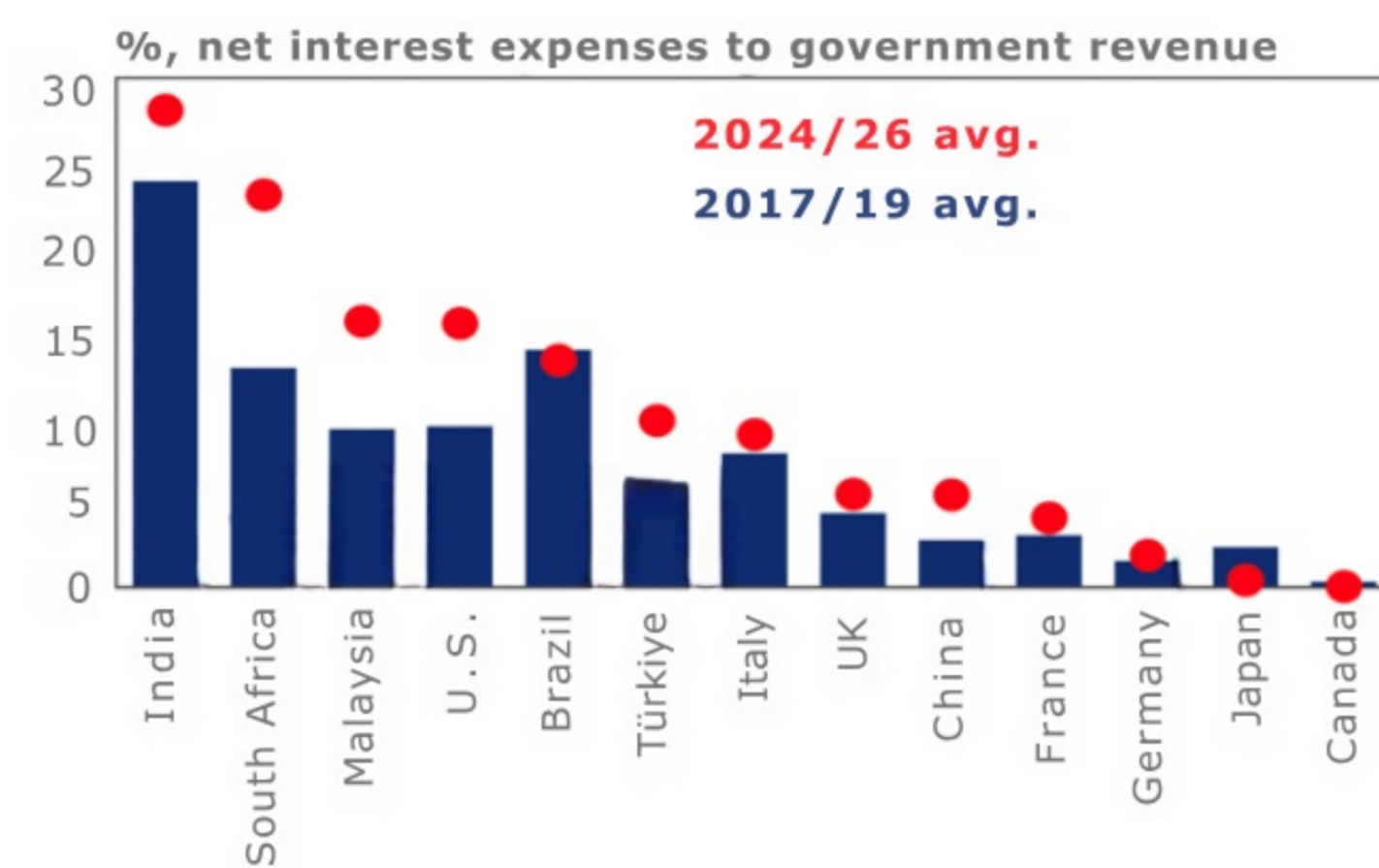


Chart Source/s: IIF (16 November 2023)

So, Should We Worry? The Answer is Both Yes and No.

No, because escalating debt is a fixed feature of the current global financial system, which allows it to typically compound at a faster rate than underlying economic growth.

Yes, investors should worry, not about the inevitability of debt escalation, but about insulating themselves against the permanent inflationary feature of the debt-based system.



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