

Dubious Debt Rage, Root Cause of Poverty. Global Debt of \$315 Trillion

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*According to official figures, the global debt has reached a mammoth amount of 315 trillion dollars. Fifteen trillion was added only in the last quarter of 2023, this figure was at 210 trillion dollars a decade ago. This global debt is the **real elephant in the room that no one is talking about, it's the root cause of poverty. The real weapon of mass destruction.***

The correlation between debt and human development index is mostly overlooked.

People are dying of hunger, children are suffering from malnourishment, there is lack of clean drinking water and unhygienic living conditions, all such problems are mainly caused by the lack of funding but same countries are paying out billions of dollars to their creditors. Most of the international lending is in dollars so indebted countries have to sell their produce and natural resources at cheap rates in order to gain the desperately needed foreign exchange. Foreign debt is most damaging to countries because their balance of payments plummet when they repay foreign debt or its interest.

International donors dictate such policies that make the country more dependent on foreign aid, i.e "increasing energy tariffs" and "taxes" thus increasing the cost of doing business. The institutions that were envisioned to eradicate global poverty and protect countries from such predatory lending are actually worsening these problems.

In 2008 financial crises, trillions of dollars were written off from the liabilities of the very banks that were culprits in exploiting the housing market bubble in the United States. If banks like Goldman Sachs are too big to fail, what about counties with hundreds of millions of people? Don't they deserve such compassion?

After the second world war, the most crucial economic agreement was the "Bretton Woods

agreement.”

It was the establishment of a system of payments based on the dollar, which defined all currencies in relation to the dollar, because US dollar was “as good as gold.” U.S. currency effectively became the world currency, the standard to which every other currency was measured against. IMF World Bank were established and dollar was their standard currency. United States has the biggest stake in these global financial institutions and conveniently enjoys the most control.

In the post Vietnam war financial crisis of the 70s, the time of “Great Inflation” , United states delinked its dollar from gold standard, ordering the gold window to be closed such that foreign governments could no longer exchange their dollars for gold. Even after such a betrayal, dollar still exists as the supreme currency. In fact most of the so called economic wizards support the fiat currencies because the government and central banks have more control over economic conditions, they can use strategies to “stabilize the economy”.

I think it’s this fiat system that has enabled US defense budget to expand out of proportion. They just keep on printing with no end in sight this unfettered greed is the root cause of global inflation.

Developing countries such as Pakistan are particularly vulnerable to this debt liability.

As of December 2023, Pakistan’s total external debt is \$131.159 billion. Pakistan owes US\$7.541 billion to Paris Club, US\$38.813 billion to multilateral donors, US\$7.596 billion to International Monetary Fund, and US\$7.8 billion to international bonds market.

Even though we owe \$7.5 billion to IMF, it dictates our government the most because all other lenders follow its direction. Their bail out package feels more like roping in package. Securing IMF funding ensures the improvement of financial rating and the availability of funds from other lenders and markets.

What IMF wants our government to do in principle is not wrong (i.e increase income and decrease spending) how they want us to achieve this goal is where the dubious part comes.

Devil really does lie in the details. Increasing energy tariffs, cutting down on public spending and ending crucial subsidies will hurt the most economically vulnerable population. Pakistan has a staggering amount of energy sectors circular debt. It is in trillions of rupees but the root cause of this issue is the shady agreements with the IPP’s.

Mainly the capacity payments that are ever increasing due to being in dollars. The sovereign guarantees that our government has committed itself to are being unbearable but such shady deals never come to light, yes line losses and corruption add to this burden but the key issues will be brushed aside.

IMF, World Bank and Asian Development Bank were created as welfare institutions and they performed very well in rebuilding post-war European economies but after that they have become tools of control by the powers that be.

They don’t actually hand out any thing they simply transfer special drawing rights (SDR).

Lending is an essential part of any economy but checks and balances are very essential to

safeguard the interests of the people. When lending is on the basis of profit and loss, unnecessary and excessive borrowing will be discouraged and financial assistance will only be provided when actually needed.

Platforms like World Economic Forum are advocating for central banks digital currencies (CBDC) which will be just a virtual version of fiat currencies. Currency should be backed by a tangible asset as dollar was tied to gold at 35\$ an ounce.

Countries or regions with similar assets can have a regional currency backed by their natural resources. Anything but this monopoly money, otherwise we will keep on accumulating global debt.

United States, the so called “superpower” has a debt to GDP ratio of 128%, countries like Japan and Italy have even higher debt to GDP ratio. How can a country call itself developed when its hard-working young people are not able to own a house? People who are advocating “own nothing and be happy” practically own the world. Affordable housing is a basic human right and need but it’s due to these dubious practices that whole generations have become slaves to debt. Slavery was never abolished, it was just revised. We are all living on “Jones Plantation.”

Our one true global forum, the United Nations, the umbrella institution of IMF and World Bank, needs to wake up from deep slumber. Without acknowledging this problem we won’t be able to solve it. We need legislation, we need actions, it’s not a developing world’s problem. Italy, Japan or America are not developing nations, it’s a global problem. Sadly the ones facing the most consequences are the masses whom are not even aware of what debt they owe and to whom.

Greedy governments should not have the ability to rob the savings of the working class. Mega corporations will be offered huge loans at nominal interest but a youngster eager to learn will spend many decades of earning to pay off the loan for a four year degree. Tax evasion is a very serious crime for a common man but for super rich and mega corporations it’s called “diversifying their portfolio.”

As a common man, we should avoid borrowing as much as possible. It’s important to understand what are our true needs and what superficial desires are imposed by clever marketing or simple peer pressure.

No gadget, apparel or ride can take us to the top. Our true wealth is the time we have, spend it on people who appreciate it and things that deserve your attention. Otherwise, we will end up chasing a mirage that will always be one step ahead.

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