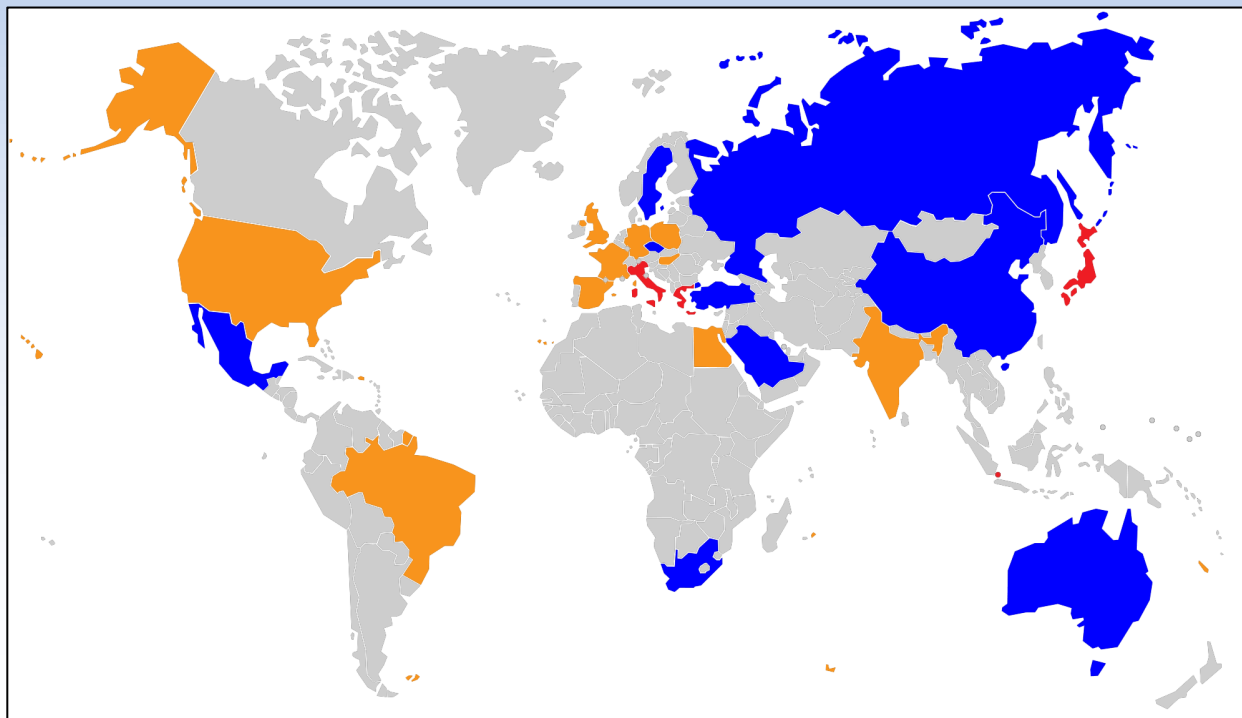




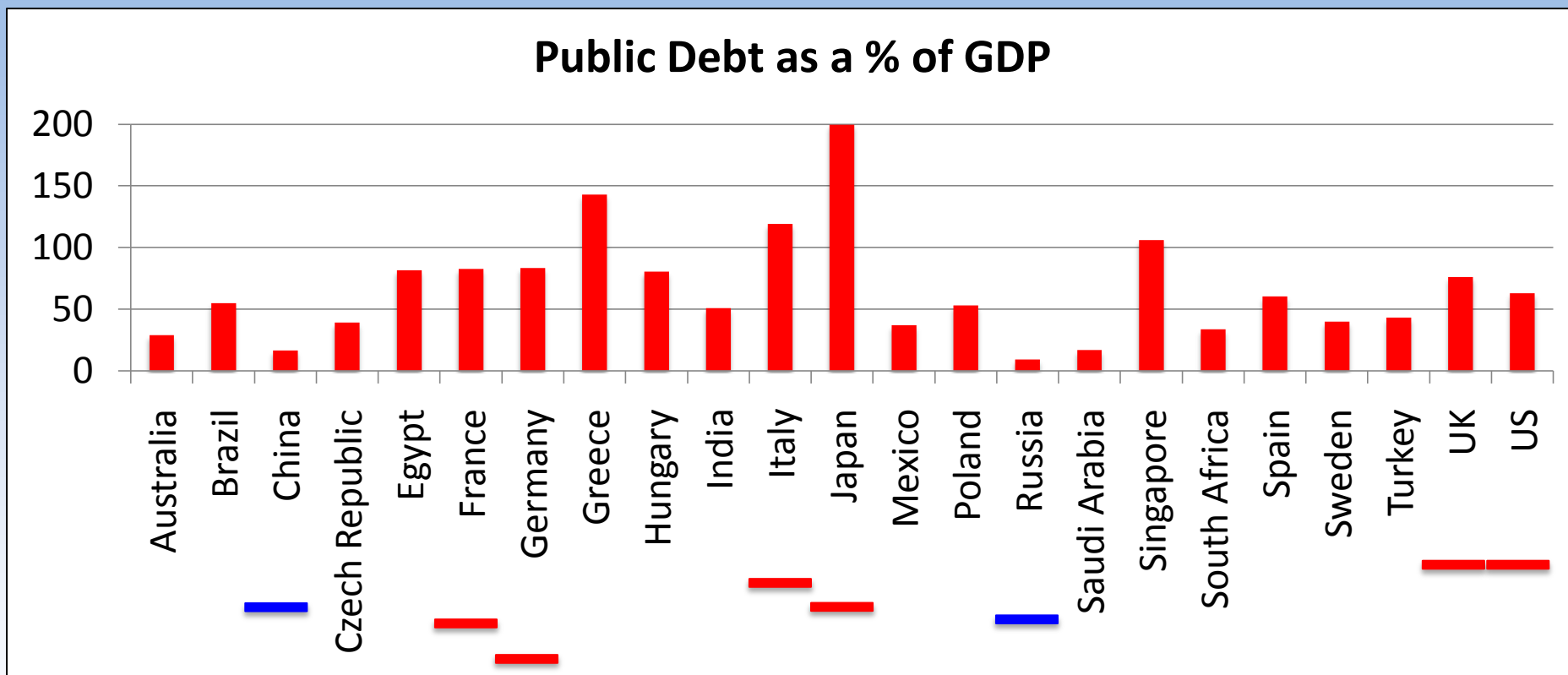
The Political and Economic Impact of Debt:

Accelerating Interdependence, Globalization,
and the Reallocation of Influence



Government Debt

A country's government debt (also known as national or public debt) is a reflection of how much it has borrowed to cover the gap between what it has produced and what it has spent.



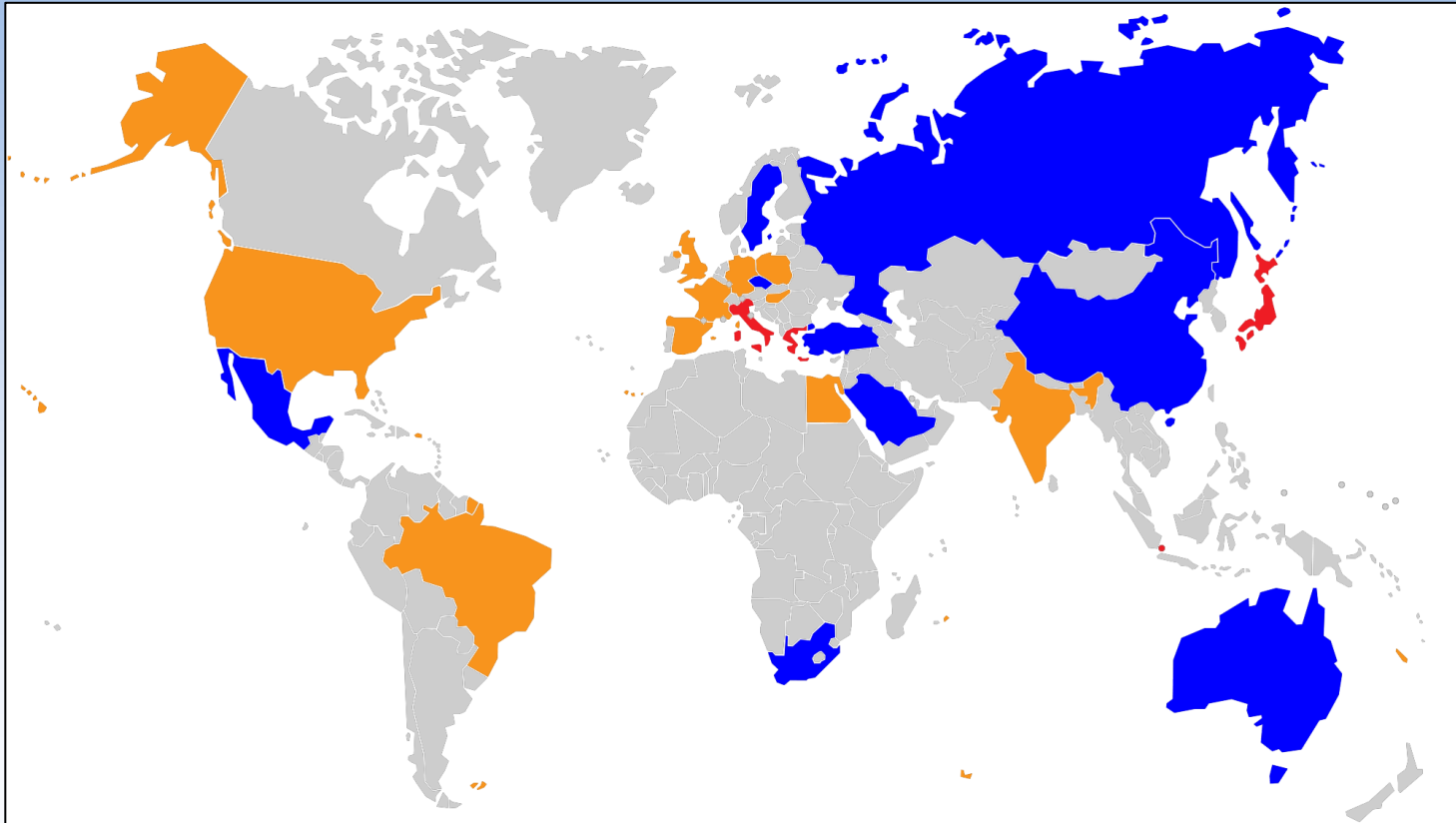
Meanwhile, many developing nations have managed to keep their government debt below 50%. China and Russia in particular are relatively very unburdened by debt.

The data shows that the countries of the G7 all endure a government debt to GDP ratio of over 50%.



Government Debt

Here is a map of the same indicator, government debt as a percentage of GDP. Countries in **blue** have a ratio of under 50%, countries in **orange** have a ratio between 50% and 100%, and countries in **red** have a ratio of over 100%.



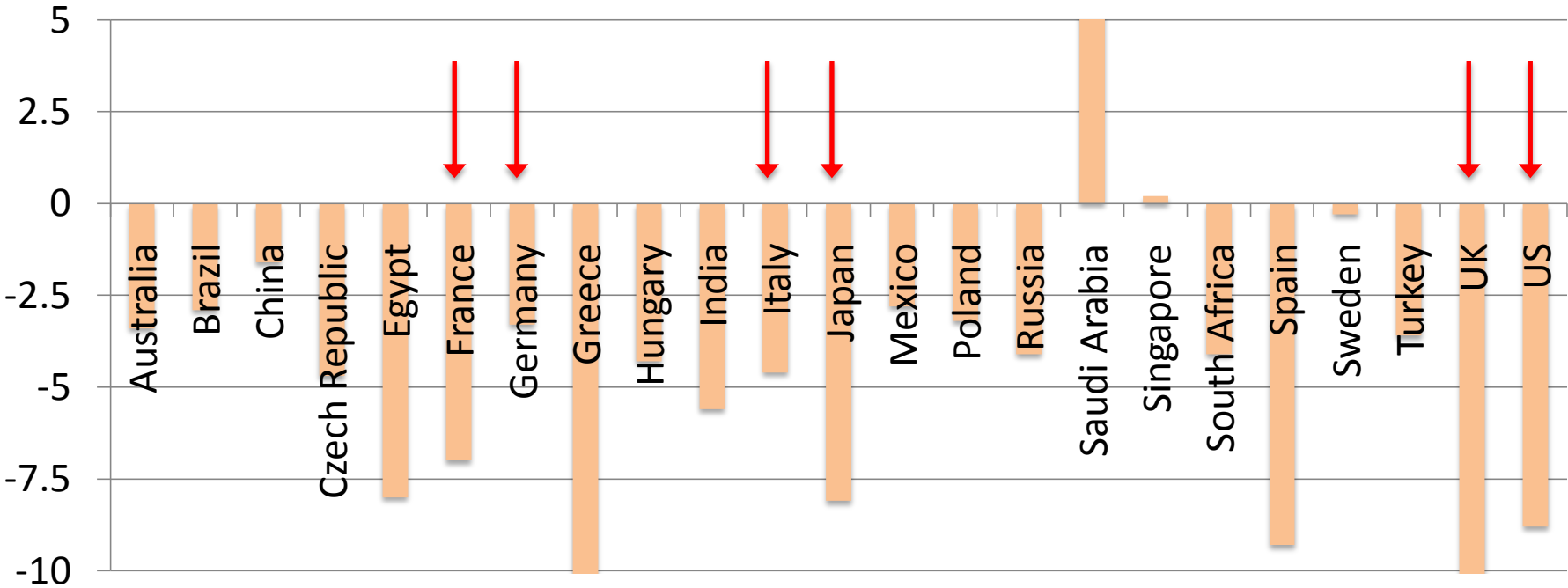
The map illustrates how debt is dispersed in the world. Generally speaking, the traditional industrial economies endure a high debt burden, while many developing economies do not.

Government Deficit

Government debts are primarily informed by yearly budget surpluses or deficits. A large government deficit to GDP ratio indicates that a country continues to add to its government debt.

The data shows that not only do the selected countries (below) of the G7 have larger debt burdens than major developing economies, but that they are generally adding to their debt at a faster rate too.

Government Budget Surplus or Deficit as a % of GDP



Reallocation of Influence

What does the accrument of government debt mean for governments and the global economic and political order?

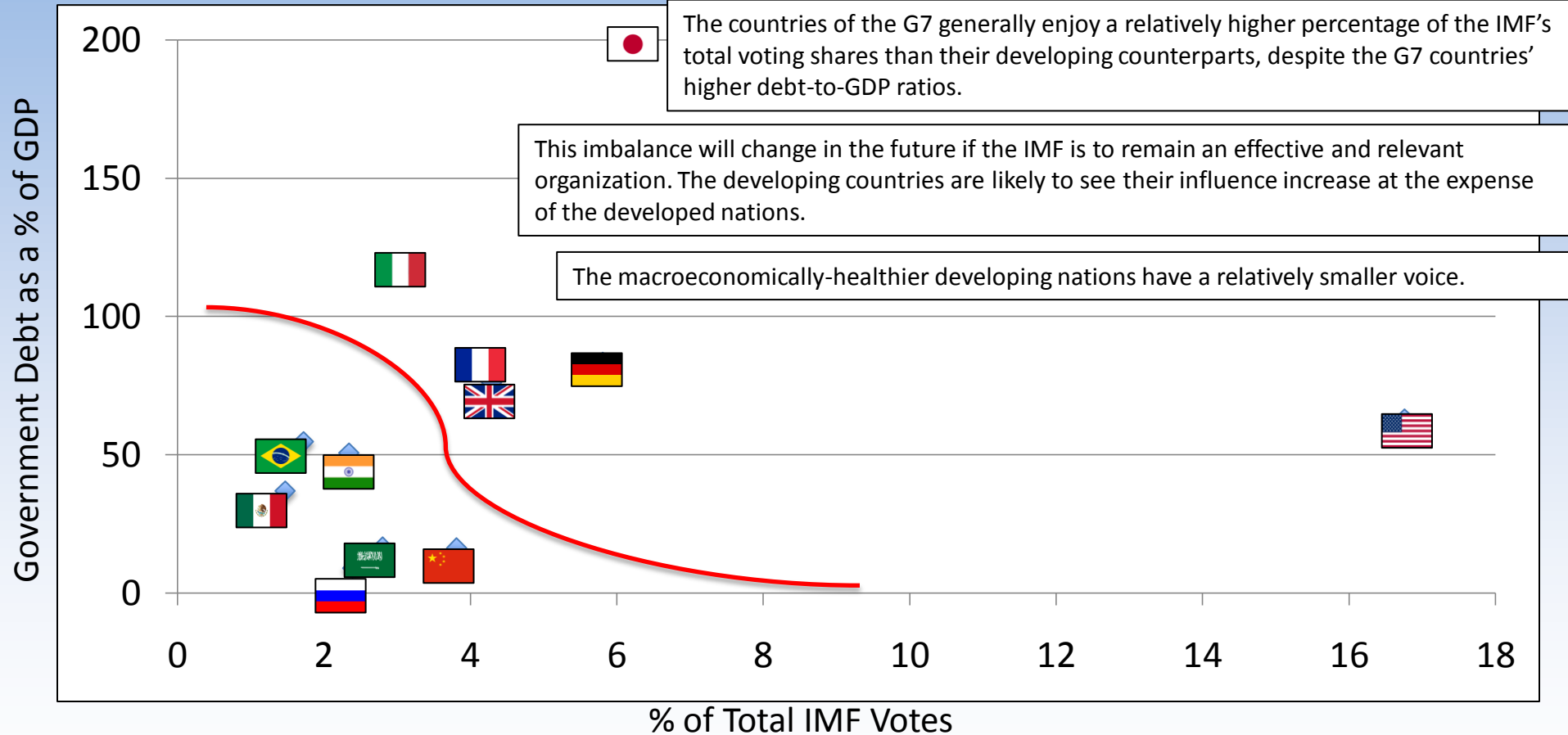
- At the most basic level, a high debt ratio indicates that future economic capacity must be requisitioned towards repayment. Therefore countries that endure a high government debt to GDP ratio – like those of the G7 – are **limited in their ability to execute a growth agenda in the present, and this inability to execute will increase as their debt ratio grows**. High debt also has other capacity-limiting effects, such as a higher borrowing rates.

- As the mature industrialized countries accrue more debt, their position as the world's economic decision makers will necessarily erode. This change in the global economic power structure will be reflected in organizations like the IMF and the WB.

- Conversely, the relatively lightly-indebted developing economies like China, Russia, Mexico and Saudi Arabia will enjoy more of a say in global economic fora like the IMF and the WB. Some of these countries are/will become major donor nations, further increasing their ability to execute their international economic agendas.

Example: Debt and Influence at the IMF

This graph illustrates how decisions are made now at a major international economic forum, the IMF. It shows the current relationship between government debt and IMF voting power of selected countries.



Thank You

