When we talk about debt and its impact on our economy, we almost always mean “government debt.” However, this is only a small part of the picture: individuals, private firms, and households owe trillions, and these private debts are vital to understanding the economy.

In this iconoclastic book, Richard Vague examines the assets, liabilities, and incomes of the entire country, private and public sector, to reveal its net worth. His holistic analysis shows that the real factor that drives both financial crises and spiraling inequality—but also, paradoxically, economic growth—is ever rising private debt.

The paradox is that while debt is essential and our economy relies on it, it also brings instability unless it is periodically deleveraged—and that is very hard to do. It can, however, be carefully managed, and Vague ends the book by showing how to do so in policy areas ranging from trade and housing to financial policy and student debt.

Underpinned by pioneering data analysis and the author’s lifetime of experience in the financial world, this book is essential for anyone who wants to understand the deep, underlying dynamics of the American economy.
“Debt is a paradox. It can both create and destroy, and even short of those extremes, debt distorts. Debt, especially private sector debt, brings growth, and economies cannot function without it, but its overuse can bring harm and disaster. The ratio of debt to income almost always rises, with the only exceptions coming from a small number of economically painful, calamity-induced contractions. And even these disasters interrupt, but do not stop, the upward march of debt.”—from the Introduction to The Paradox of Debt

1. How would you describe the nature of debt in the world economy and how it is distributed?

2. The book shows that total debt for all the world’s largest countries has been growing far faster than GDP itself. Why has debt outgrown GDP?

3. Since 1981, as the U.S. government deficits and debt have grown rapidly, what effect has the governmental disbursement of funds had on the income and net worth of U.S. households?

4. Debt has been the main mechanism for creating new money in the United States since 1980. Why is new debt required for economic growth?

5. If we divide U.S. households into three groups—those in the bottom 60 percent of household incomes, those with the next highest 30 percent of household incomes, and those with the highest ten percent of incomes—what have been the trends in the relative net worth of each group since 1989?

6. How does growing debt lead to growing inequality?

7. Why can rapid growth in private sector debt lead to financial calamity—such as happened in the Global Financial Crisis (GFC)? What metrics could have been used to foresee the GFC? What policies might have prevented the GFC?

8. What has been the key contributor to positive household net income over the past several decades? What have been the key contributors to household net income in that same period in Germany and China, and how are those different than in the United States?

9. Which of the seven largest economies in the world has the highest net worth per household and which has the least? In which country has it been the growing the fastest? What factors account for the growth or decline of net worth per household?

10. In the book, Richard Vague recommends several policy ideas that could help increase the relative net worth of the bottom 60%. Choose one or two that you think are most likely to succeed. Why?
Why do you think economists, politicians, and the financial media have given “total debt short shrift”? Why did it take your book to bring public and private debt into the same analysis? There are several reasons. First, government debt data is always in front of us and we have much easier access to information on it. It is central to the work of politicians as they debate and approve budgets, and it’s something that can be readily obtained in almost any country through the treasury or central bank. In contrast, information on total private sector debt is much less accessible. Further, whereas public debt has seemed the rightful province of the government and thus of the people, private debt seems to many to be something that should be left to the private sector—and therefore to interfere would be to compromise the efficient forces of the market.

But the Global Financial Crisis changed that. It taught us indelibly that even in the supposedly efficient financial marketplace, things can go terribly awry since it was the profligate mortgage lending of that period hurt millions of people. Given that, it is crucial to bring the study of public and private debt together, and to give the analysis of private debt its due as a driver of economic outcomes. I’m proud that my work has been part of that.

If a new discipline, debt economics, started to be taught and practiced, what would be your hopes for the discipline? What do you think its strengths would be and what would it offer or result in?

Debt economics is the recognition that, over time and absent significant intervention, total debt always grows faster than GDP, and that this happens as a function of the very design of modern economies and as it does it produces several paradoxical consequences: greater overall wealth, but also greater inequality, intermittent calamity, and gradually slowing economic growth.

My hope is that the study of debt economics will brings policies and ideas that can better prevent financial calamity, reverse the trend toward greater inequality, and restore more vibrant economic growth. I believe policy efforts that ignore the lessons of debt economics will not bring the change and vibrancy so necessary and important for our future.

How would you respond to skeptics of deleveraging through “debt jubilees”? Or to arguments against the mitigation of rising inequality as a worthy task for policy-makers?

People are right to be cautious regarding the idea of “debt amnesty” or “debt jubilee.” No program of jubilee should be considered lightly, and none should be undertaken that do not fully consider the economic consequences and carefully address the questions of fairness. I came to the idea of debt jubilee only after lengthy and careful study of the alternatives.

But the facts are readily ascertainable—total debt does consistently outgrow income, pushing the national and global economies to higher levels of indebtedness and increased inequality—and we have ample historical evidence that the result is growing political dissatisfaction and unrest, and a suppression of economic growth.

After completing the research for this book, is there anything you might have done differently throughout your illustrious career as a banker, investor, or financial advisor?

In one respect, the answer is yes, since knowing what I know now, I could have been a more insistent voice of warning in the period just before the Global Financial Crisis—as just one major example. But in another sense, it would have been hard to know then what we know now. It has been data from the economic events of the last forty years that have overturned so much of what economists believed in the 1970s and 1980s and led us to this truly new understanding of macroeconomics.
As the author of *The Case for a Debt Jubilee* (2021), *A Brief History of Doom* (2019) and *The Next Economic Disaster* (2014), Richard Vague established himself as a clear and independent voice in the ongoing conversation about the role of private sector debt in the global economy. His *Illustrated Business History of the United States* offers a more general audience a clear-eyed view of 250 years of wealth creation and the people and personalities who drove that growth — and hold it today. And now, Richard's new book, *The Paradox of Debt*, offers a compelling case and policy recommendations for new forms of debt monitoring, restructuring, and means to create greater socioeconomic equality through training and asset ownership programs to support underserved communities. Following a career that has spanned fields as varied as banking, energy, credit, and the arts, Richard was recently Secretary of Banking and Securities for the Commonwealth of Pennsylvania.

For more information, visit: [https://www.pennpress.org/author/richard-vague/](https://www.pennpress.org/author/richard-vague/).

“Richard Vague is this century’s incarnation of Walter Bagehot, Charles Mackay, and Charles Kindelberger, all in one: a successful banker, brilliant author, and contrarian economist with an encyclopedic knowledge of the history of money and banking, and the parts of economic theory that are worth knowing—above all the contributions of Hyman Minsky. No one else comes close to his blend of professional experience, oratorical flair, and critical insights.”—Steve Keen, economist and author of *Debunking Economics*, *The New Economics: A Manifesto*, and *Can We Avoid Another Financial Crisis?*