

Total Credit Market Debt as a % of GDP

Quarterly Data 12/31/1922 - 3/31/2009

$$\frac{3/31/2009 \text{ Debt} = \$52.904 \text{ Trillion}}{3/31/2009 \text{ GDP} = \$14.090 \text{ Trillion}} = 375.5\%$$

The most effective way to interpret this chart is NOT to view this as a debt service relationship, rather to appreciate that it is requiring ever larger quantities of debt to create the same amount of GDP...that some amount of GDP might not exist at all were it not for the increasing amounts of debt.

Note:  
Economist Hyman Minsky once wrote a thesis about economic stability. To paraphrase his writings...he said...

"If you have a wonderful, stable world and, better yet, it is growing nicely and nothing is going wrong, you are likely as the years go by to take more and more risk. As time passes the cost of taking risk gets less and less because interest rates come down. You can imagine that people will get carried away into thinking such conditions are permanent and take on record levels of debt. They think conditions will always be good. And then all it takes is some small event to create instability."

"The economy in its entirety must continue to decline so long as more is being consumed than produced, and some part of consumption therefore takes place at the expense of the existing capital stock." - Nobel Award winning economist F.A. Hayek 1889-1992.

Glass-Steagal Act repealed in 1997 by President Clinton

a "consuming" economy

a "producing" economy

a "consuming" economy

Annual interpolated GDP (including estimates prior to 1929) used prior to 1946.  
Domestic Nonfinancial Debt used prior to 1946. As of December, 1946  
Domestic Nonfinancial Debt represented 99.4% of Total Credit Market Debt.

(E501A)

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