



ECONOMIC WEALTH AND PUBLIC DEBT: INSIGHTS FROM GLOBAL EVIDENCE

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ABSTRACT

Public debt has become a defining feature of the contemporary global economy, particularly in the context of repeated financial crises, pandemic-related shocks, and expanding state responsibilities. Contrary to conventional assumptions that associate high public debt with fiscal indiscipline or economic fragility, global evidence indicates that the world's richest economies account for a disproportionate share of total government debt. This paper examines the relationship between economic size and government indebtedness among the world's largest economies using secondary data on nominal GDP and shares of global government debt. Through comparative and correlation analysis, the study demonstrates a strong and statistically significant association between GDP size and public debt, suggesting that high debt levels are structurally linked to economic scale, institutional capacity, and monetary power rather than weakness. The paper further highlights important cross-country asymmetries and situates India's position within this global landscape. The findings underscore the need to interpret public debt within a broader political-economic framework, focusing on its purpose, institutional context, and implications for inclusive and sustainable development.

KEYWORDS : Public Debt, Global Economy, Advanced Economies, Fiscal Policy**INTRODUCTION**

Public debt has become a defining and persistent feature of the contemporary global economy, particularly in the context of repeated economic shocks, financial crises, and expanding state responsibilities. Contrary to conventional assumptions that associate high public debt with fiscal indiscipline, macroeconomic instability, or institutional weakness—often attributed to developing economies—recent global evidence reveals a markedly different reality. The world's richest economies now account for a disproportionately large share of total government debt, despite possessing the strongest economic fundamentals.

Advanced economies with large GDPs, deep and liquid financial markets, and robust institutional frameworks dominate global debt accumulation. Their ability to sustain high levels of borrowing reflects not economic fragility but structural advantages such as monetary sovereignty, strong creditworthiness, and the confidence of global investors. In these countries, public debt has become an integral instrument of economic management, used to finance welfare systems, infrastructure development, crisis response, demographic transitions, and long-term growth strategies.

This concentration of debt among advanced economies raises important questions about the nature, meaning, and implications of sovereign indebtedness in a globalized financial system. It challenges simplistic narratives that equate debt with economic weakness and invites a more understanding of how power, scale, and institutional capacity shape fiscal outcomes. More importantly, it compels a reassessment of public debt not merely as a fiscal liability, but as a political-economic phenomenon with far-reaching consequences for global financial stability, inequality, and development trajectories.

Review Of Literature

The studies on public debt have shifted from narrow fiscal interpretations to broader political-economic analyses. Early classical and neoclassical perspectives viewed public debt as a burden on future generations, emphasizing crowding-out effects and inflationary risks (Barro, 1979). Keynesian and post-Keynesian scholars challenged this view, highlighting the countercyclical role of public debt in stabilizing demand during economic recessions (Keynes, 1936; Arestis & Sawyer, 2003). More recent studies focus on debt sustainability and institutional capacity rather than absolute debt levels. While Reinhart and Rogoff (2010) linked high debt to slower growth, subsequent critiques emphasized the importance of context,

monetary sovereignty, and growth-interest rate dynamics (Herndon et al., 2014). Political economy and global governance literature further underscores structural asymmetries, showing that advanced economies use debt as a policy tool, whereas developing countries face tighter constraints and higher risks (Streeck, 2014; UNCTAD, 2023). Against this backdrop, contemporary scholars converge on the view that public debt cannot be assessed in isolation from institutional power, the macroeconomic context, and political-economic power relations. Therefore, the central issue is not the size of the debt, but rather how, by whom, and under what structural conditions public debt is mobilized and regulated.

Objective And Methodology

The objective of the present study is to examine the relationship between economic size and government indebtedness among the world's largest economies. Specifically, it seeks to assess whether higher levels of public debt are systematically associated with large GDP size, and to understand the structural, institutional, and political-economic factors that explain variations in debt burdens across countries, with particular reference to advanced economies and India. This study adopted a descriptive and analytical approach based on secondary data. Data on nominal GDP (2026) and shares of global government debt (2025) are drawn from internationally recognized sources such as IMF estimates and global debt databases. A comparative cross-country analysis is employed to examine the relationship between economic size and sovereign debt among the top ten economies by GDP.

Global Distribution Of Debt And Economic Size

Global government debt has expanded sharply over the past two decades, particularly following the 2008 global financial crisis and the COVID-19 pandemic. While debt accumulation is a global phenomenon, it is highly concentrated in advanced economies. Large economies tend to operate large states, financing extensive welfare systems, infrastructure, defence, climate commitments, and ageing populations. These expenditures are increasingly supported through public borrowing.

To illustrate this relationship, Table 1 presents a comparative snapshot of major economies, linking GDP size with their share of global government debt. The table allows an assessment of whether debt accumulation is broadly proportional to economic size or whether significant asymmetries exist.

Table 1: Major Economies: GDP Size (2026) and Share of Global Government Debt (2025)

| Rank (by GDP) | Country | GDP 2026 (USD Trillion) | Share of Global Government Debt (%) | Approx. Government Debt (USD Trillion) |
|---------------|---------|-------------------------|-------------------------------------|--|
| 1 | USA | 31.8 | 34.5 | 38.0 |
| 2 | China | 20.7 | 16.8 | 18.7 |
| 3 | Germany | 5.3 | 2.9 | 3.2 |
| 4 | India | 4.5 | 3.0 | 3.3 |
| 5 | Japan | 4.4 | 8.9 | 9.8 |
| 6 | UK | 4.2 | 3.7 | 4.1 |
| 7 | France | 3.2 | 3.5 | 3.9 |
| 8 | Italy | 2.7 | 3.1 | 3.4 |
| 9 | Russia | 2.5 | 0.5 | 0.6 |
| 10 | Canada | 2.4 | 2.3 | 2.5 |

Source: IMF, World Economic Outlook (October 2025).

Note: GDP figures are nominal. Debt values are rounded estimates.

Table 1 presents a comparative overview of the world's ten largest economies by nominal GDP in 2026 and their respective shares of global government debt in 2025. The table highlights the relationship between economic size and sovereign indebtedness, offering insight into how public debt is distributed across major economies.

The United States occupies the top position both in terms of GDP and share of global government debt. With a GDP of USD 31.8 trillion, it accounts for 34.5 percent of total global government debt, amounting to approximately USD 38 trillion. This reflects the country's scale, reserve-currency status, and ability to sustain large fiscal deficits. China, the second-largest economy, holds 16.8 per cent of global government debt, broadly aligning with its economic size, though its debt burden remains lower relative to GDP compared to the United States.

Japan stands out as a significant outlier. Despite being the fifth-largest economy, it accounts for nearly 9 per cent of global government debt, indicating an exceptionally high debt burden relative to economic output. In contrast, Germany and Canada display comparatively lower debt shares, suggesting stronger fiscal discipline and institutional constraints.

India's position is notable. As the fourth-largest economy, its share of global government debt is moderate, indicating that growth has not been driven primarily by excessive borrowing. Italy and France exhibit moderately high debt shares relative to GDP, reflecting long-term fiscal pressures. Russia represents a low-debt case, shaped by structural and geopolitical factors.

Overall, the table demonstrates that high public debt is closely associated with economic scale and institutional capacity rather than economic weakness, reinforcing the argument that sovereign debt must be interpreted within a broader structural and political-economic framework. Further, the following table depicts the Descriptive Statistics and Correlation Analysis of GDP Size and Government Debt among Major Economies.

Table 2: Descriptive Statistics and Correlation Analysis of GDP Size And Government Debt Among Major Economies (N = 10)

| Variable | Mean | Standard Deviation | Correlation with GDP (r) |
|-------------------------------------|------|--------------------|--------------------------|
| GDP (USD trillion) | 8.17 | 9.92 | 1.00 |
| Share of Global Government Debt (%) | 7.92 | 10.45 | 0.972* |

| | | | |
|--------------------------------|------|-------|--------|
| Government Debt (USD trillion) | 8.75 | 11.52 | 0.973* |
|--------------------------------|------|-------|--------|

*Note: Pearson correlation coefficients are reported and indicates statistical significance at the 1% level (two-tailed) N = 10.

Table 2 presents a consolidated statistical summary linking economic size with sovereign indebtedness among the world's ten largest economies. The mean values indicate that both GDP and government debt are highly concentrated among a small number of large economies, while the relatively large standard deviations reflect substantial dispersion across countries. This dispersion is driven primarily by outliers such as the United States and China, underscoring the skewed nature of global debt distribution.

The correlation results reveal a strong and statistically significant positive relationship between GDP size and both the share of global government debt ($r = 0.972$) and absolute government debt levels ($r = 0.973$). These findings confirm that larger economies systematically account for a greater proportion of global public debt. However, the correlations are not perfect, indicating the influence of country-specific structural factors. Economies such as Japan and Italy exhibit higher debt burdens relative to GDP, while Germany and Canada display comparatively restrained debt positions. India's alignment with the mean suggests a balance between economic expansion and fiscal prudence.

Overall, the statistical evidence supports the argument that high public debt is structurally associated with economic scale and institutional capacity rather than economic weakness alone.

India's Position In The Global Debt Landscape

India occupies a distinctive position within this global configuration. As the world's fourth-largest economy, India's share of global government debt remains relatively modest compared to its GDP size. This reflects a combination of fiscal prudence, institutional constraints, and structural limitations. Unlike the United States, India does not enjoy reserve currency status. Unlike China or Japan, it does not have a vast domestic savings surplus that can effortlessly absorb public debt. Consequently, India's fiscal choices are constrained by concerns over inflation, capital flows, and macroeconomic stability.

At the same time, India faces immense development needs: employment generation, infrastructure expansion, education, health, and social protection. As India is projected to become the world's third-largest economy by 2030, aligning public borrowing with productivity-enhancing investment becomes critical. For India, the challenge is not simply managing debt levels, but ensuring that fiscal expansion translates into inclusive growth and human development.

CONCLUSION

The analysis confirms that high public debt is closely associated with economic scale and institutional capacity rather than economic weakness. Advanced economies dominate global public debt due to their monetary sovereignty, deep financial markets, and ability to sustain long-term borrowing. Statistical evidence reveals a strong positive relationship between GDP size and sovereign debt, though important deviations reflect country-specific structural factors. India's relatively moderate debt position highlights both fiscal prudence and structural constraints, underscoring the importance of aligning borrowing with productive investment and inclusive growth. Overall, public debt should not be assessed solely through absolute levels but through its developmental purpose, institutional context, and

distributional consequences. An understanding of sovereign debt is essential for designing equitable and sustainable fiscal strategies in an increasingly interconnected global economy.

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