



Credit Crash

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According to Stephen Roach's book 'Unbalanced,' America and China are addicted to 'the political economy of false prosperity'. In America's case, they undertook a policy of increasing shareholder profits by cutting wages for workers. The problem? The global system was predicated on America being the planet's consumer market and China being the planet's production hub. If America stops buying, China (and the whole global economic system) will come unhinged. And Americans are getting poorer due to persistently decreased wages. The stopgap measure was promoting credit card usage and debt. By this method, they could keep up consumption rates. This worked to cover the gaps until the 2008 financial collapse. Afterward, the problem wasn't fixed, but was merely kicked down the road. By 2020, the credit markets were melting down due to these unaddressed problems—meaning it will be harder to get car loans, or house loans, or student loans. 74% of US GDP is based on real estate and personal consumption. If the credit is cut off, then these sectors will hemorrhage. More importantly still, China's economic position will buckle and collapse. Are we on the precipice of something really big?

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- 1) [Russo](#)
- 2) [Edward Dowd](#)





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