

Note on Debt, and Capital.

Market originating debt is okay.

Every debt is also someone else's asset. Lending for projects that are long-term entail more risk than for short, other things remaining the same. During periods of increased profit expectations there can be over-lending in this sense. But without the chance to borrow, some highly promising—highly productive undertakings would not be possible. If a business needs a better truck that can double its efficiency of distributing its products the borrowed funds may generate not just an interest payment for the loan, but perhaps several hundred percent in return on the investment. This will likely expand the demand for the product when the price is lowered for the consumer. It produces the need for more employees and is the principle mechanism that raises real wages all around. It is the engine that lifts the standard of living. It is capitalism.

But when funds are not from the surplus that occurs after consumption, i.e. not from saving, there is no gain because the new credit is at the expense, in the end, of the rest of the investment economy. False wealth from printing money only erodes the unit value of all of the money holdings until there is no net real increase in funds. Then these loans, in the whole, must be diminished with losses from the pull back in available financing unable to sustain the expanded capital investments.