

## **Commentary: Western countries' debt addiction poisonous to world economy**

BEIJING, Jan. 25 (Xinhua) -- As global elites gathered at the Swiss ski resort of Davos for their annual brainstorming, they were asked to find ways to build a more resilient and dynamic world economy.

Four years after the 2008 financial crisis struck, the Davos attendants felt somewhat relieved that the worst part of the global nightmare might be finally over. However, that feeling is unwarranted as the debt bombs in the developed world are yet to be defused.

A report released by the World Economic Forum ahead of the Davos meeting said that burgeoning government deficits are among the top five risks to the world over the next decade.

The fact that the richest countries are heavy debtors is ironic. From Washington to London, from Tokyo to Athens, debt addiction is like a virus fast infecting the developed world and threatens the health of the world economy.

Over the past decade, Americans have lived beyond their means and their country, the world's biggest economy, has racked up whopping debts and budget deficits due to unbridled binge spending and overconsumption.

During President Barack Obama's first four-year term, the U.S. government's budget deficit never stayed below 1 trillion U.S. dollars, while its public debt swelled to nearly 16.4 trillion dollars. Uncle Sam now saddles every American with roughly 51,000 dollars in federal debt, more than the average mean wage for Americans in 2011.

The fiscal issue can be much thornier when entangled with irresponsible partisan politics, which led to a disturbing "fiscal cliff" drama in Washington with global ripple effects.

Though the danger of Washington falling off the "fiscal cliff" has been temporarily averted, a replay remains possible and the path to fiscal sustainability is set to be bumpy.

The situation is even worse on the European continent, where a sovereign debt crisis has dragged on for more than three years and poses the biggest-ever challenge to their shared currency, the euro.

Unfortunately, debt addiction, like smoking, is a bad habit that is hard to kick. When in the red, short-sighted governments are often tempted to cover the existing fiscal holes by borrowing more and leave a bigger problem to their successors. They shy away from radical reforms which are politically unwelcome, blindly believing they can rely on the last resort -- printing more money.

Japan, which has the highest debt level in the world, was the latest country to follow the steps of the United States to start up the money printing machine.

The Bank of Japan announced on Tuesday that it would switch to an open-ended commitment to buying assets next year, a program resembling the quantitative easing introduced by the U.S. Federal Reserve. The European Central Bank has taken a similar move, but to a lesser extent.

These unconventional measures may provide temporary relief, but their side-effects are evident. They can push up domestic inflation and reduce the motivation to implement structural reforms, which are usually painful but vital for the indebted countries to get rid of their debt addiction and return to a healthy path.

By pumping trillions of dollars into the financial system to shore up their sluggish economies, the developed countries are flooding the world with easy money and thus exporting their own crisis.

This kind of beggar-thy-neighbor practice risks a competitive devaluation among world currencies and a disturbance of capital flow. It may also create asset bubbles and sow the seeds of the next financial storm.

The current crisis tells us that to borrow from the future is a dead end. A more resilient and dynamic world economy has to be built on fiscal sustainability, which can be achieved only if the developed countries abandon their debt addiction and embark on fiscal discipline and structural reforms.