

Zaitsev N. V., student

Belarusian National Technical University

Minsk, Republic of Belarus

Scientific supervisor: Ph. D., Associate Professor Solovyova L. V.

Abstract. The article analyzes the record growth of global debt, which reached \$305 trillion (355 % of global GDP) by 2023. The author identifies the structural causes of this phenomenon and argues that the existing financial architecture requires fundamental reform to prevent a large-scale debt crisis and ensure long-term financial stability.

A significant challenge facing today's interconnected economy has intensified: escalating levels of worldwide indebtedness. By the beginning of 2023, combined debts across nations, businesses, and individuals had reached a record high of \$305 trillion – approximately 355 % of global gross domestic product.

Despite occasional fluctuations toward equilibrium, debt figures now surpass those seen during the crisis of 2008, with continued expansion evident. This research aims to identify the forces behind increasing global debt and propose strategies for establishing a robust financial framework suitable for this century.

It examines influences shaping debt trajectories and speeds since the pandemic and considers if existing funding approaches will prove viable, exploring potential transformations for the international monetary structure. In this case, the topic is relevant precisely because without resolving issues with the accumulation of global debt, the country faces the prospect of collapse with massive defaults and, consequently, recessions and social instability in all corners of the planet, and most importantly in emerging economies, which are most susceptible to changes in the monetary policy of developed countries.

Preexisting flaws in the global monetary framework, initially exposed near the turn of the century and persisting in trends seen after the universal economic slump, fostered fresh risks and difficulties toward the end of the previous decade.

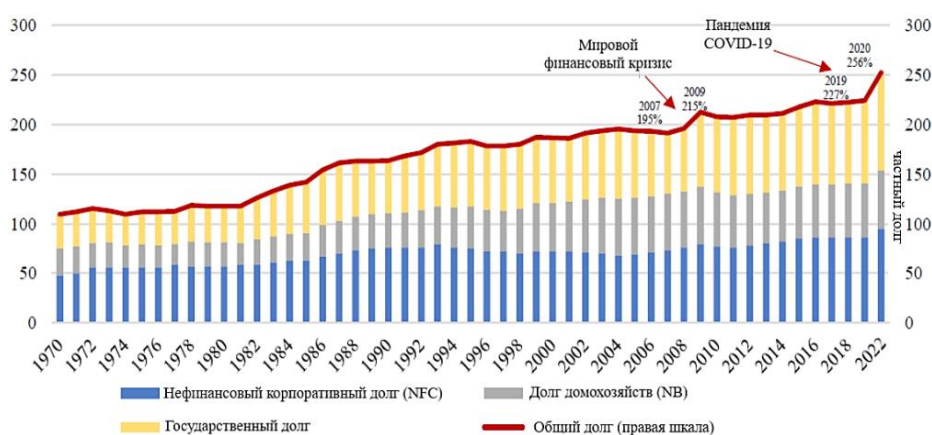


Fig. 1. Structure of debt in the global financial system

– A growing pile of indebtedness started building up from 2010 onward. Consequently, figures from the World Bank show that, by the close of 2022, worldwide debt reached an unprecedented high of 267 % of Gross Domestic Product. Primarily, this stemmed from rising levels of private borrowing in emerging economies (Fig. 1).

– The threat of new crisis phenomena and shocks in countries with transformational economies, as well as the likelihood of economies of scale due to their spillover in the regional and global dimensions [1].

Global debt trends show some worrying signs. One key issue is a change in how debt builds up. In the past, debt growth followed a cyclical pattern. But today, the patterns suggest structural changes in the global financial system. This shift is mostly due to the continued use of Quantitative Easing (QE) by major central banks since the 2008 financial crisis. This has kept borrowing costs artificially low for over a decade. The large Fiscal Stimulus packages introduced during both the 2007–08 Financial Crisis and the COVID-19 pandemic have led to a Liquidity Trap. Economists say that it's now nearly impossible to return monetary policy to normal without causing serious problems for the global economy.

Established in the middle of the 20th century with the IMF and World Bank (Bretton Woods), the International Financial System (IFS) is structured such that it is becoming more and more insufficient to meet modern financial difficulties. Key areas of inadequacy include: asymmetrical regulation that focuses on the burden placed on borrowing countries but not on lending nations; a lack of effective mechanisms for restructuring sovereign debt, which leads to prolonged periods of crisis such as Argentina and Greece; and the fact that the US Dollar serves as the world's reserve currency, which has created "Global Financial Cycle" and "Inflation Exportation" problems across nations [2].

The research carried out uncovers that the worldwide debt issue is not only a delayed consequence of temporary economic difficulties but also the outcome of systemic imbalances in the global financial system architecture. The expansionary monetary and fiscal policies over the last fifteen years, although they have aided in crisis avoidance, have engendered a perilous dependence on cheap money and have been the cause of the piling up of structural imbalances. The findings of the analysis point to the fact that the threat of a large-scale debt crisis will become more and more tangible if the international financial institutions and the rules of the game are not fundamentally reformed, especially in the environment of monetary policy tightening and global growth deceleration.

Список использованных источников

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