

Funding the Future

The paradox of debt

Published: January 13, 2026, 11:30 am

I share this content from Steve Keen's latest newsletter because it reminds me that I have the book he is referring to, and have yet to even open it, and because he obviously thinks so much of it that it is worthwhile promoting:

The Paradox of Debt, by the Tycho Brahe of Credit

Review of Richard Vague's The Paradox of Debt

STEVE KEEN
AUG 14



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Very rarely do I review a book and find that the best way to convey its significance is to quote, verbatim, its first four paragraphs:

In 2020, during the darkest hours of the global coronavirus pandemic, the US government spent \$3 trillion to help rescue the country's – and, to some extent, the world's – economy. This infusion of cash increased US government debt and thus reduced US government wealth by almost the entirety of that frighteningly large amount – the largest drop in US government wealth since the nation's founding. Surely something this unfavorable to the government's 'balance sheet' would have broad, adverse financial consequences.

So what happened to household wealth during that same year? It rose. And it improved by not just the \$3 trillion injected into the economy by the government but by a whopping \$14.5 trillion, the largest recorded increase in household wealth in history. As a whole, the wealth of the country – its households, businesses, and the government added together – increased by \$11 trillion, so this improvement in wealth was contained largely to households.

How and why did such an extraordinary increase occur?

To understand this paradox, we need to seek answers to some of the most fundamental questions in economics: What is money? What is debt? What brings about increases in wealth? Often the most basic questions can be the most challenging to answer. They appear deceptively simple but they are complex and vitally important." (Vague 2023, p. 1)

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What follows is a magisterial analysis of the role of debt in economics, working from detailed data on each of the world's major economies. The key

A 65-page [preview of the book is available here](#).

Steve's mail list is well worth being on. The [Substack version is here](#).

And if you are looking for a hard copy, this is what you're seeking:

