

# Re: Update – Ratio of Household Debt to GDP Explodes

**Source:** <http://sci.tech–archive.net/Archive/sci.econ/2004–06/0932.html>

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**From:** Jim Blair (*see\_at\_sig.com*)

**Date:** 06/17/04

Date: Thu, 17 Jun 2004 17:54:36 +0000 (UTC)

"tonyp" <tonyp@world.std.com> wrote:

>

> "Jim Blair" <see@sig.com> wrote

>

>> *But my question again: why compare household debt to GDP? Since they*

>> *don't even have the same units, the ratios you list have the units of*

>> *time (years). But what does that mean?*

>

>

> *It says something about how much time it would take for households (who produce*

> *the GDP) to produce the goods and services they must sell in order to pay off*

> *their debt.*

>

> *Surely, if you find one nation where the household debt equals GDP, and a second*

> *nation where the household debt equals 2xGPD, you would infer \_something\_ about*

> *the relative prospects of the two nations.*

>

> -- Tony P.

>

Hi,

I could infer "something", but what? When I went into debt by 3 times my annual income (debt = 3X income) it proved to be the best financial decision that I ever made. Because I bought a house that I have lived in for the last 38 years (rent free), while it has increased in value (according to the Madison assessors office) by a factor of 6.

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