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Greece's economic tutorial

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We have the Greeks to thank for an elementary tutorial in what ails the world economy. Greece's central problem is that it has too much debt and too little economic growth (none actually) to service the debt. The country is caught in an economic cul de sac. It can't seem to generate growth without spending more or taxing less, which makes the debt worse, while its creditors demand that it control its debt by spending less and taxing more, which undermines growth.

If there were an easy exit from this dilemma, Greece would have taken it. But it's important to note that Greece's predicament, though extreme, is shared by many major countries, including the United States, Japan, France and other European nations. In reducing or stabilizing their high debt levels they encounter the same stubborn contradiction: The effort to curb debt through higher taxes or lower spending initially weakens economic growth, and weaker growth — aside from its social consequences — increases the debt.

When only a few countries are over-indebted (meaning they cannot borrow from private markets at reasonable interest rates), this isn't necessarily true. Countries can dampen domestic consumption and rely on export-led growth to take up the slack and limit unemployment. Nor is debt automatically bad. It has obvious productive uses: to fight severe recessions; to pay for wars and other emergencies; to finance public "investments" (roads, schools, research).

Unfortunately, this standard view of government debt — we're not talking about household and business debt — does not fully apply now. The reason is that numerous countries face similar problems. That's the distinctive feature of the current situation. Consider:

First, high debt levels are widespread. No one knows what debt level is "right." It varies by country, and what's "right" today could be "wrong" tomorrow if investors' attitudes change about a country's bonds. Regardless, today's debt levels are historically high. In 2014, gross debt as a share of GDP was 132 percent for Italy, 246 percent for Japan, 95 percent for France, and 105 percent for the United States, reports the International Monetary Fund (IMF). (Note: For technical reasons, different organizations produce slightly different ratios.)

Second, economic growth has slowed in many countries. This is important because faster growth — producing more tax revenues — helps countries service their debts. Slower growth does the opposite. From 1997 to 2006, U.S. economic growth averaged 3.3 percent annually, says the

IMF; from 2010 to 2014, the average was 2.2 percent. For the euro zone (the countries using the euro), the figures are 2.3 percent and 0.6 percent. Even China has slowed, though Japan hasn't.

Finally, most advanced societies have aging populations. Already, the 65-and-over population is 15 percent of the total in the United States, 22 percent in Germany and 27 percent in Japan, says the Organization for Economic Cooperation and Development. As more people qualify for benefits, there is built-in pressure for higher government spending, deficits and debt.

What we have is a global debt trap. The combination of high debt and low economic growth is inherently unstable. There's little room to maneuver. If all the countries with high debts simultaneously tried to reduce them through sizable spending cuts and tax increases, the collective effect would be a calamity because worldwide consumer purchasing power would plunge.

On the other hand, slower economic growth makes it harder for countries to service their debts, which are still mounting. From 2007 to 2014, worldwide government debt rose $25 trillion or roughly three-quarters, according to the McKinsey Global Institute. It's not clear how much longer these increases can continue, but even a mild effort to stanch them might founder on opposition from retirees and near-retirees.

For the moment, what makes the debt burden bearable are low interest rates, engineered by markets and central banks (the Federal Reserve, European Central Bank and Bank of Japan). If, for any reason, rates rose sharply — or investor sentiment soured — the existing equilibrium could collapse. Governments could face steeper interest costs. Investors might retreat, fearing losses on their portfolios of government bonds. More governments might find it hard to borrow on private markets. Economic prospects would weaken.

All this exists apart from Greece, but, as with Greece, there are no good choices. There are only bad and worse ones. The defining characteristic of the global economy is that many nations are simultaneously grappling with similar problems. There is no compensating pocket of economic strength to help weaker economies recover. High debts are so worrisome that some experts suggest inflating away their value or simply writing them down. "Does Europe Need Debt Relief?" asks the insider magazine the International Economy.

These proposals raise huge practical and philosophical questions; that they're being discussed at all is an accurate measure of anxiety.