

SOLVING THE GOVERNMENTS DEBT PROBLEM



I am amused at all the "hand wringing" and finger pointing about our Governments "Debt Problem". Whose fault is it? How are "they" going to "fix" it? Who is going to "pay" the debt?

Being a student of the history of money and the governments who issue that money I can tell you I am absolutely positive how this will be "fixed". The only real question is timing. It is said that in email and electronic messaging the way to shout is to use all capital letters so I will shout my answer to these questions.

OUR GOVERNMENT WILL DO WHAT EVERY OTHER GOVERNMENT SINCE AT LEAST THE TIME OF THE ROMAN EMPIRE HAS DONE WHEN THEY GET INTO FINANCIAL CRISIS. THEY WILL USE INFLATION.

It works like this. If you owe 14 Trillion Dollars but you inflate (spelled de-value) your currency by 50% you only have to repay the equivalent of 7 1/2 Trillion Dollars. If you deflate it by a factor of ten, then you would only have to repay the equivalent of 1.4 Trillion Dollars. In todays world that is "chump change". Play with this concept a little using your own inflation factor and do the math.

If you will look at the currency note pictured above, it was issued by the German Government in December 1922 for the amount of 1000 Marks. In September of 1923 that same German Government overprinted and changed the value of the note to 1,000,000 marks. So in nine months the government changed the value of (devalued) the currency by 1000%. This is called hyper-inflation and it destroys the value of whatever money is in the hands of citizens (often their life savings) at the time of the "re-valuation". Another way of doing it is simply by inflation through run-a-way interest rates which has the same impact on the value of money in circulation.

At first glance this might look appealing because a person is tempted to think "okay, my dollar bill will suddenly be worth a hundred dollars" (or whatever) but it doesn't work that way. Remember, Government is the one with the power to print money. So the money you have is now worth that much less. Think of it this way: If our own Government were to revalue the dollar by 50% your local Dollar Store would become the Two Dollar Store only you would still have the same dollars in your bank account or wallet, but now they would buy you only half as much.

Do I think we will get into a hyper-inflation scenario like Germany did following the First World War? Probably not, but, the government will have to do something with our ever growing

Stop Pulling the Wagon

Are You Tired Of Government Lies, Hypocrisy and Corruption?

National Debt. All too soon we will reach the point that it becomes ever more difficult, or impossible, just to pay the interest on that debt in todays dollars. Inflation will be the only option left unless we are willing to make sacrifices I don't see the American public expressing the discipline or desire for. If interest rates were to rise sharply, as in the Carter years of the 1970's, then "Katie Bar The Door".

Just my thoughts. You don't have to agree. But consider the very real history behind the currency note above.

Bob Bandy