

HYPERINFLATION IS HYPER-NONSENSE

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From time to time we have attempted to explain why hyperinflation is not in the cards for the U.S. monetary system. In the simplest terms, those that have experienced hyperinflation in the past - Germany and Argentina for example - did so mostly because they printed money that went *directly* to the people and/or other parties for good and services rendered. It did not go through a third party such as a bank and it did not have a treasury loan involved.

If there is no bank to go through and if there is no loan involved, the printed money goes directly into circulation, thus increasing the money supply. And we all know that more money chasing the same amount of goods and services creates inflation, which is exactly what happened in Germany and Argentina in times past.

If there is a treasury loan involved, it simply means that it must be paid back sometime in the future. Higher taxes would do the deal. However, if there is no loan, the money will stay in circulation forever.

Some would say that the Fed buying \$600 billion worth of government securities off the secondary market is printing money, but it isn't. There is a loan involved (the treasury securities) and they must be paid back. What it does do is add liquidity in the marketplace for speculators to sell their governments to the Fed and buy stocks and commodities. Therefore, psychology is drastically changed due to the Fed action of injecting liquidity, as well as giving the impression that if things don't go well they will do it again. It is a drastically irresponsible policy of picking winners and losers and it will come to absolutely no good, but it is not the start of hyperinflation.