

## GERMANY AND ARGENTINA: EXAMPLES TO AVOID

THE COMING ECONOMIC EARTHQUAKE by Larry Burkett (1994)

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The consequences of the treaty of Versailles and war reparations led to Germany's adoption of a fiat (or phony) money system. Without adding much detail, some of which is offered in the chapter, the German government printed excessive money and, consequently, the value of the currency dropped. Larry writes:

When any government makes the decision to inflate its economy through debt, eventually, it will be faced with more difficult decisions about how to repay that debt. As long as the debt is held by its own people, the solutions are somewhat easier because it is in their interest to maintain the system. When the debt is held by foreigners, there is no choice but to either pay up or risk losing the ability to trade with other nations. Invariably the government is faced with three basic choices:

- Default
- Raise taxes
- Inflate the currency

Of the three choices, inflating the currency was carried out against the advice of economists like Dr. Ludwig Von Mises.

In 1984, President Reagan commissioned a panel of private citizens to examine the federal budget and make recommendations to reduce the budget deficits. Called the Grace Commission by way of the committee leader, Peter Grace, the findings included interviews conducted by an industrialist, Harry E. Figgie of Figgie International. In his contact with several countries in South and Central America, Mr. Figgie concluded that the U.S. is on the same course of an eroding currency. The rate of inflation is not yet as dramatic but, even so, the direction is similar.

Predictions of the Grace Commission are forthcoming....

