
FIAT MONEY AND COLLECTIVE CORRUPTION

Mises Circle

Austrian Economics and
the Financial Markets

University Club New York,
22 May 2010

By Thorsten Polleit

A theory of the crisis



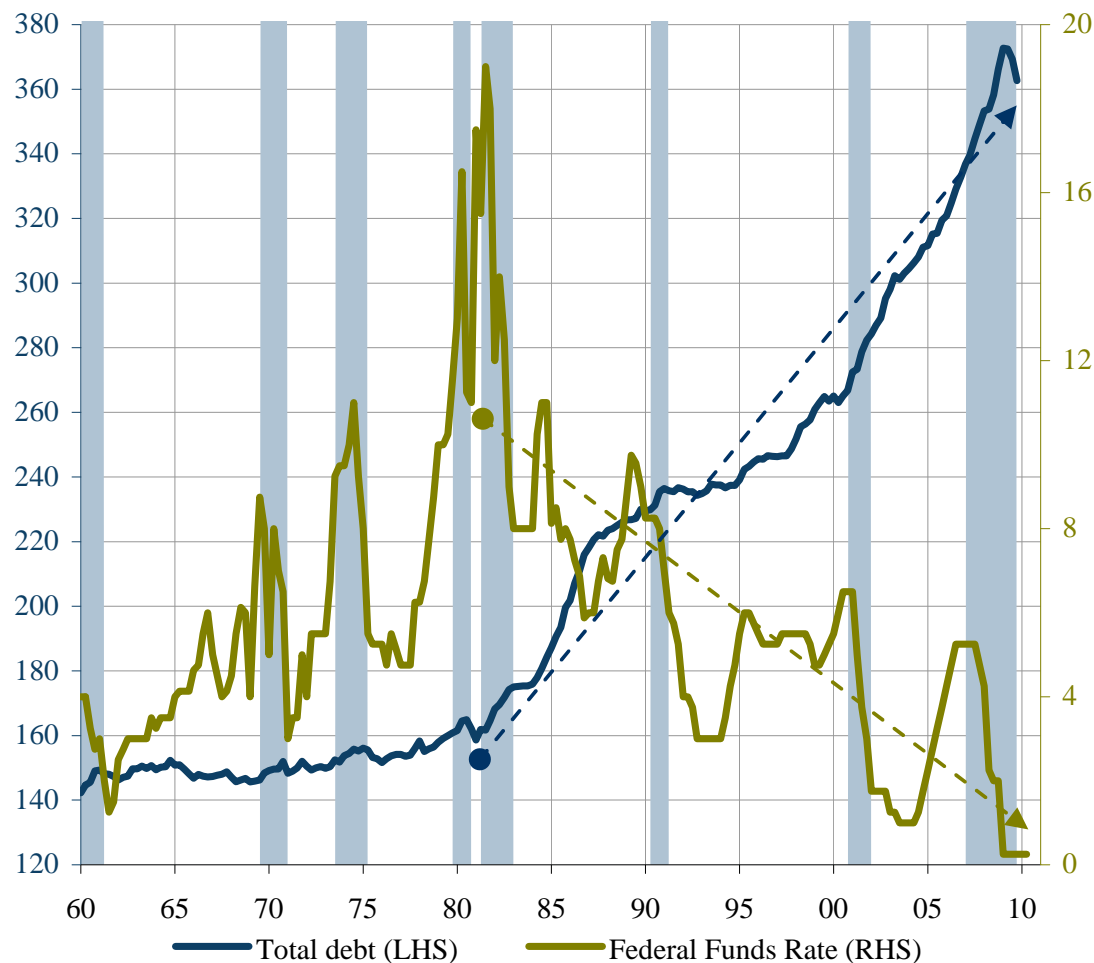
Ludwig von Mises
1881 – 1973

„There is no means of avoiding the final collapse of a boom brought about by credit expansion. The alternative is only whether the crisis should come sooner as the result of a voluntary abandonment of further credit expansion, or later as a final and total catastrophe of the currency system involved.“

Ludwig von Mises (1996), *Human Action*, 4th ed., Fox & Wilkes, San Francisco, p. 572.

Lower rates, more debt

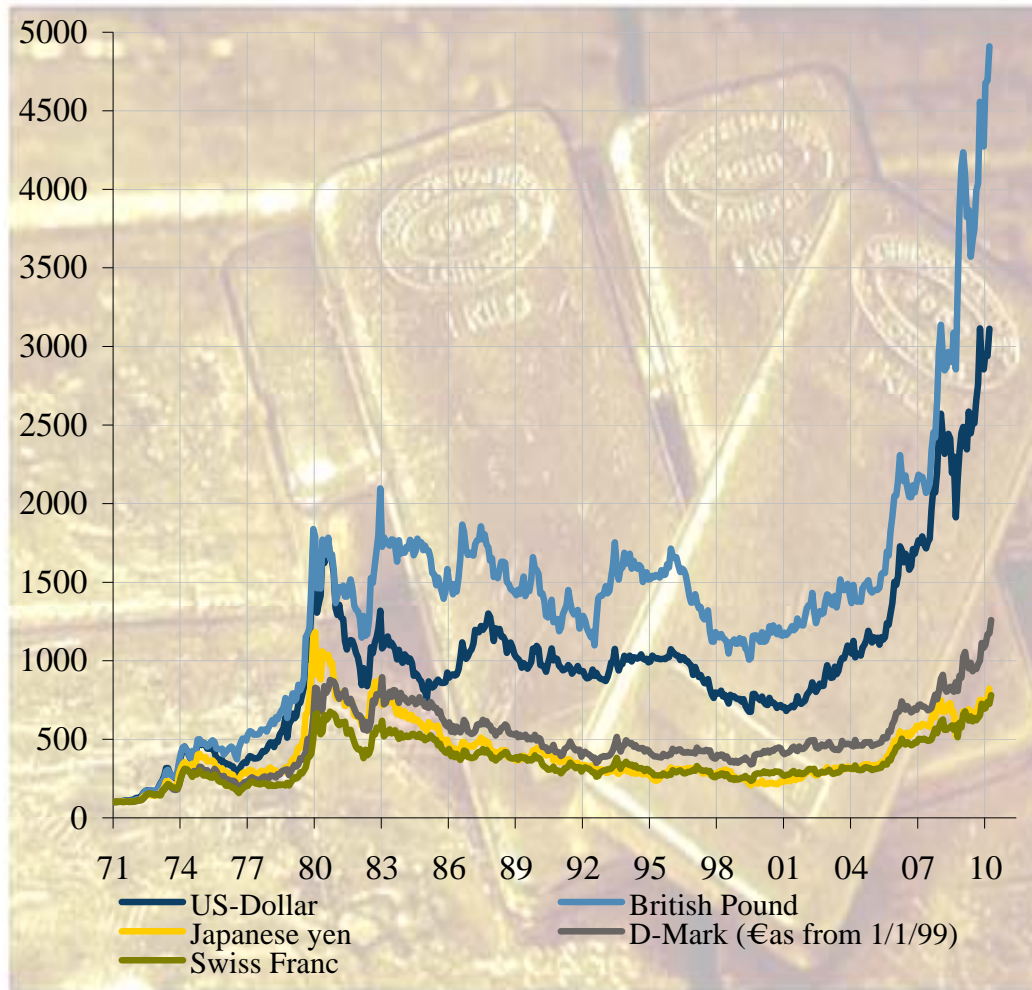
US total debt level in % of GDP and Federal Funds Rate (%)



Source : Thomson Financial, own calculations. Shaded areas represent recession periods according to NBER. Effective Federal Funds Rate up to 1971-Q1, thereafter target rate.

The ultimate means of payment

Gold ounce in national currency*



Source : Bloomberg, own calculations.

*Series are indexed: January 1971 = 100.

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