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

„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.“

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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