

Let's Schmooze

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Hyper-inflation

That's a scary thought! Hyper-inflation has occurred twice in our country's history, and many times around the globe. It thoroughly destroys economies and personal lifestyles. Under the right set of circumstances, absolutely no one is immune to it.

Do we have cause to be concerned?

Probably. Let's take a closer look. Hyper-inflation is known to be associated with a number of things.

The driver of hyper-inflation is a bloated money supply, i.e., way too much money floating around trying to find something decent to buy, or a safe place to hide. Bloated currencies can be caused by (1) governments printing too much paper money, (2) the electronic creation of currency via new electronic debt offerings, and (3) the deregulation of capital markets designed to "globalize" currencies.

It is often the result of a government waging an unpopular war and attempting to pay for that war by printing more money, or issuing new debt. In either case, the money supply floating around dramatically increases.

We're in this situation now. The Iraq war is widely unpopular, and our government is unwilling to raise taxes to pay for it. Instead, new debt is issued, and today the national debt is so huge that if it was broken down to a "per citizen number," we would each owe, as individuals, about \$30,000 per person! Care to write a personal check in the amount of \$30,000 to the U.S. Treasury for your share of today's national debt?

Another cause of hyper-inflation is when a country attempts to spend its way out of an economic depression. Money is wildly printed, and credit is wildly issued, in hopes that a dying economy can be kept going, and a looming depression can be avoided. Obviously, this further bloats the money supply.

Again, we're in this situation right now. Remember the insane credit card offers bombarding America's mailboxes? When that fizzled, America was coaxed to refinance personal homes or take out home equity lines, and keep shopping at the malls. Today, America's mortgage industry has collapsed from this folly.

And what is our government doing right now? Injecting billions of dollars into the money supply in a vain attempt to keep the whole thing afloat. More mindless bloating of America's money supply to stave off disaster.

Hyper-inflation may not actually be here today, but the foundation is steadily being put into place. If we're not careful, time may raise the super-structure.

Next time we meet, let's chat about handling this monster.

It's going to be a nimble dance of both strategy and timing!

~ *'til we meet again* ~