

## Chapter 4: It's Not About Money

*"All money is a matter of belief." - Adam Smith*

We all would like to have more money. Why? Because more money buys more stuff, of course. OK, so if that's the case, why not just have the government print more money, and give it away to everyone, so we can all buy more stuff?

The Germans actually tried this in the early 1920s. They kept printing more and more money to pay workers. This led to astronomical inflation in Germany during 1922-23. As the printing presses ran 24/7 to churn out more money, the buying power of that money was being reduced on a daily basis. People would have to go to the store to buy what they needed immediately after they got their paycheck. The hyperinflation got so bad that at one point prices were doubling every two days.

The trouble with the government printing more money and spending it is that when there is an increase in money, yet still the same amount of stuff being produced, then the price of everything rises. That's inflation. There are more dollars chasing the same amount of stuff, so all the dollars are worth less and it takes more money to buy the same thing. That's inflation.

The net effect on the prosperity of the country is the same as raising taxes. Milton Freidman has said, "*Inflation is taxation without legislation.*"

Some economists will claim that the extra money in circulation will increase demand and stimulate more production, thereby kicking the economy into high gear. But experience has shown that increases in production are small compared to the negative consequences. Inflation creates all kinds of economic havoc. Printing more money to stimulate the economy does not fix the market forces that led to a stagnant economy in the first place.