

Re: Money supply and national debt -- need help on this subject

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On Sun, 23 Apr 2006 15:15:16 GMT, "Mark M." <[markm@xxxxxxxxxxx](mailto:markm@xxxxxxxxxxx)> wrote:

S. Doo wrote:

True, lots of other countries have financed their fiscal deficits by issuing new money to cover their bills, with results as seen in the Weimar Republic, but the US has been quite good at not going that route.

In any case, the system requires constant addition of money. As long as too much money isn't introduced, the people greatly benefit from government spending funds directly into circulation as opposed to debt based money controlled by a central bank. This is the history of the Civil War Greenbacks.

All fiat money is debt-based, whether issued by the central bank or long ago by the Treasury, as in the case of Civil War greenbacks.

In a modern inconvertible money system, i.e. fiat money system, the central bank creates it by monetizing the debt securities of the Treasury. The Treasury simply recirculates it through its spending, taxing, and debt sales to the public if necessary. On balance the Treasury does not create new money.

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