Published on *Adam Smith Institute* (http://www.adamsmith.org)

Options for debtors [1]

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Interesting piece, as always, by John Stepek in Money Morning's newsletter yesterday. Making the point that there's far too much debt around and governments from Greece to America can't repay it on the terms it was lent, he looks at the options. Cuts and backbreaking toil to repay it all; defaulting; or repaying your debts in devalued currency ? that is, inflation.

Well, no government is up for prudence and backbreaking toil, of course. Their preference is to dream up some new eurobond or quantitative easing way of inflating their way out of trouble. Stepek's view:

> I favour default, I must say. That way you punish lenders who failed to do their jobs properly, and clear a space for more competent ones. You also rapidly and cleanly reduce asset prices to levels where those with capital to deploy are keen to jump in...
>
> But it doesn?t matter what I think. So far inflation is the favoured option for those governments that have the choice. The worry for Europe is that there?s a chance it will be forced into the ?default? option before politicians can agree on a way to go for the ?inflation? option instead.

That of course is what always happens when you don't get to grips with your debt. Other people do it for you.

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