<u>The Sound Money and Free Markets Solution</u>

There are renewed cries by many, blaming the failure of the market system for the present deflation of the credit bubble.

The solution proposed by politicians is more money printing, more taxation and more intervention.

What they do not seem to recognise is that it has been the actions of the State that has brought about the current miasma. Central banks world wide have over extended credit that cannot be handled and when that happens monetary systems collapse.

Free markets internally and externally maximise the marginal productivity of the masses. The result is savings and capital accumulation and, consequently, investment in more and better tools of production. Hence more goods at prices for which the world scrambles to buy. This has been demonstrated time and time again over thousands of years; especially comparatively recently.

The rapid recovery of West Germany, Japan, Taiwan, South Korea, Hong Kong and Singapore after WW2 demonstrate this fact.

West Germany's reform was instigated by Ludwig Erhard in 1948 (backed by U.S. Commander of the occupation forces, General Lucius Clay). By September 1979 West Germany's foreign exchange and gold reserves stood at $62.7 billion. Their reserves exceeded those of the U.S. whose gold and foreign exchange reserves stood at $20 billion.

These policies are **Classical Liberal Policies** and are the answer to today's financial and political problems. But such policies are unknown in Australia, where universities still teach Keynesianism and even Marx gets a good hearing.

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