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# The euro – a paper money experiment

Thorsten Polleit\*

Talk held at the  
Friedrich August von Hayek Gesprächskreis, Passau  
University of Passau  
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\*Frankfurt School of Finance & Management, Sonnemannstraße 9-11 , 60314 Frankfurt am Main  
Tel.: +49 (0) 69 154008-0, e-mail: [info@frankfurt-school.de](mailto:info@frankfurt-school.de)



”It is well enough that people of the nation do not understand our banking and monetary system, for if they did, I believe there would be a revolution before tomorrow morning.”

—Henry Ford (1863 – 1947)



*Friedrich August von Hayek*  
1899 - 1992

“The past instability of the market economy is the consequence of the exclusion of the most important regulator of the market mechanism, money, from itself being regulated by the market process.”

Hayek, F. A. v. (1976), *Denationalisation of Money*, The Institute of Economic Affairs, London, p. 102.



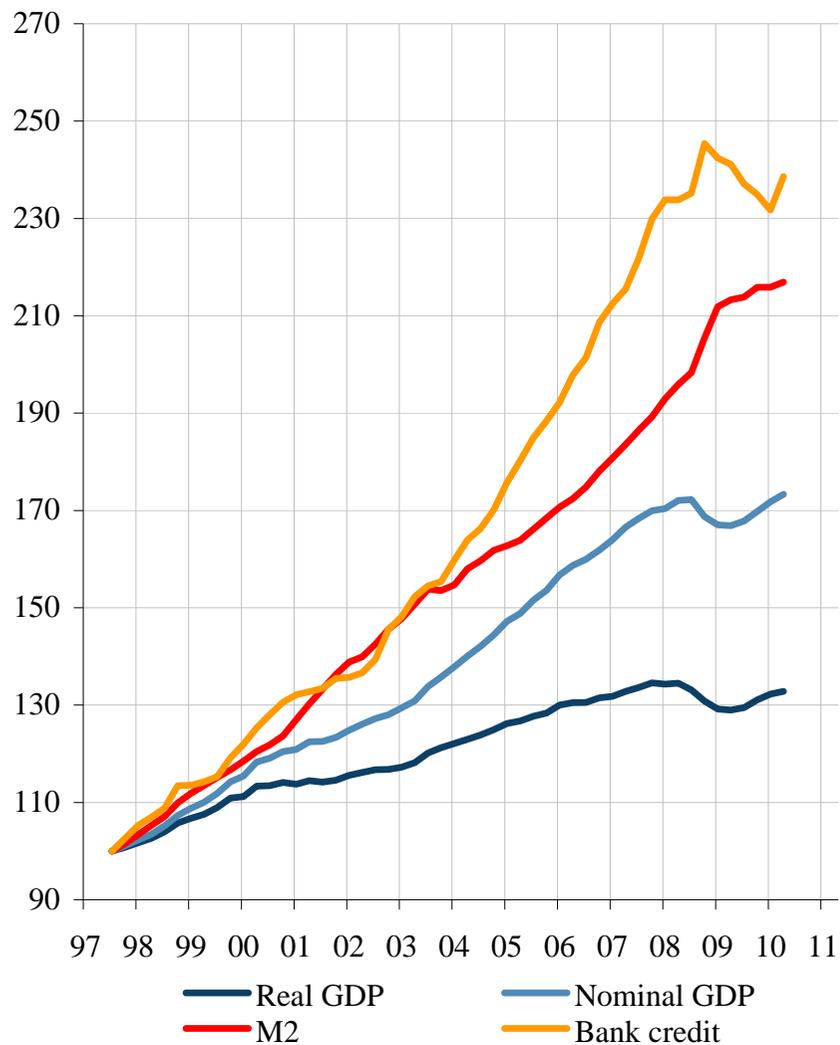
*Ludwig von Mises*  
1881 - 1973

„Mankind has a choice only between the unhampered market economy, democracy, and freedom on the one side, and socialism and dictatorship on the other side. A third alternative, an interventionist compromise, is not feasible.“

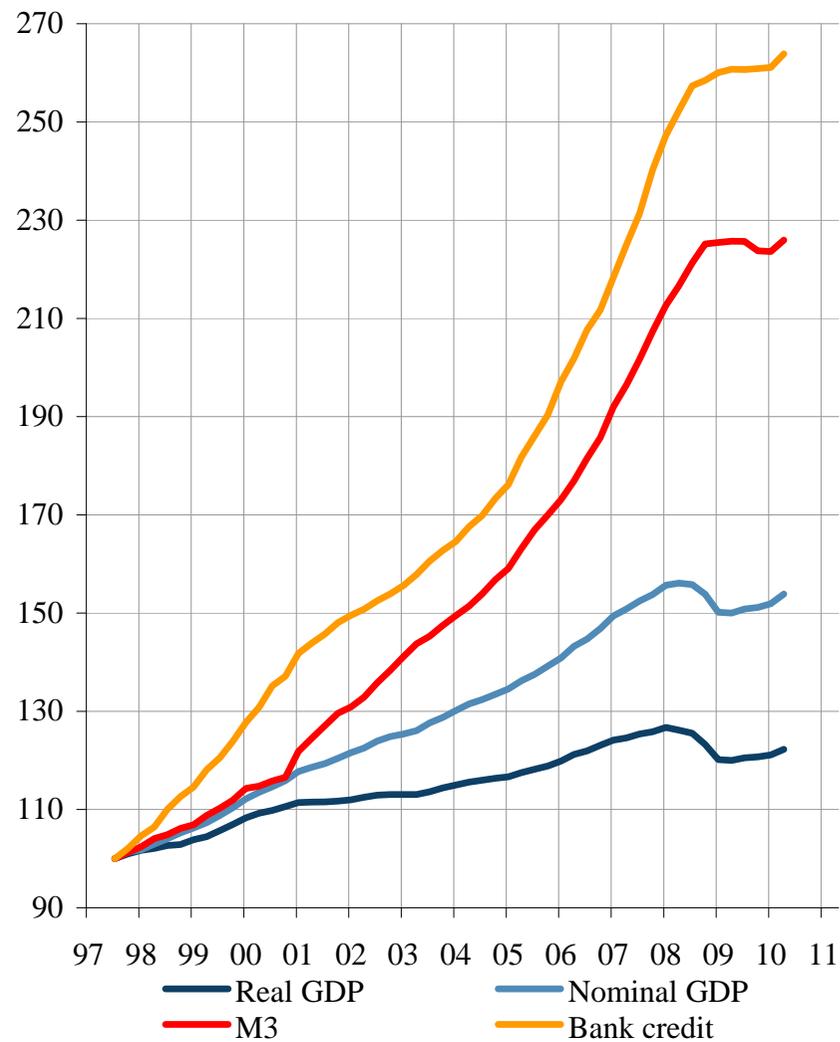
Mises, L. v. (1998 [1940]), *Interventionism: An Economic Analysis*, The Foundation for Economic Education, p. 92.

## Bank credit, money stock and GDP\*

(a) US

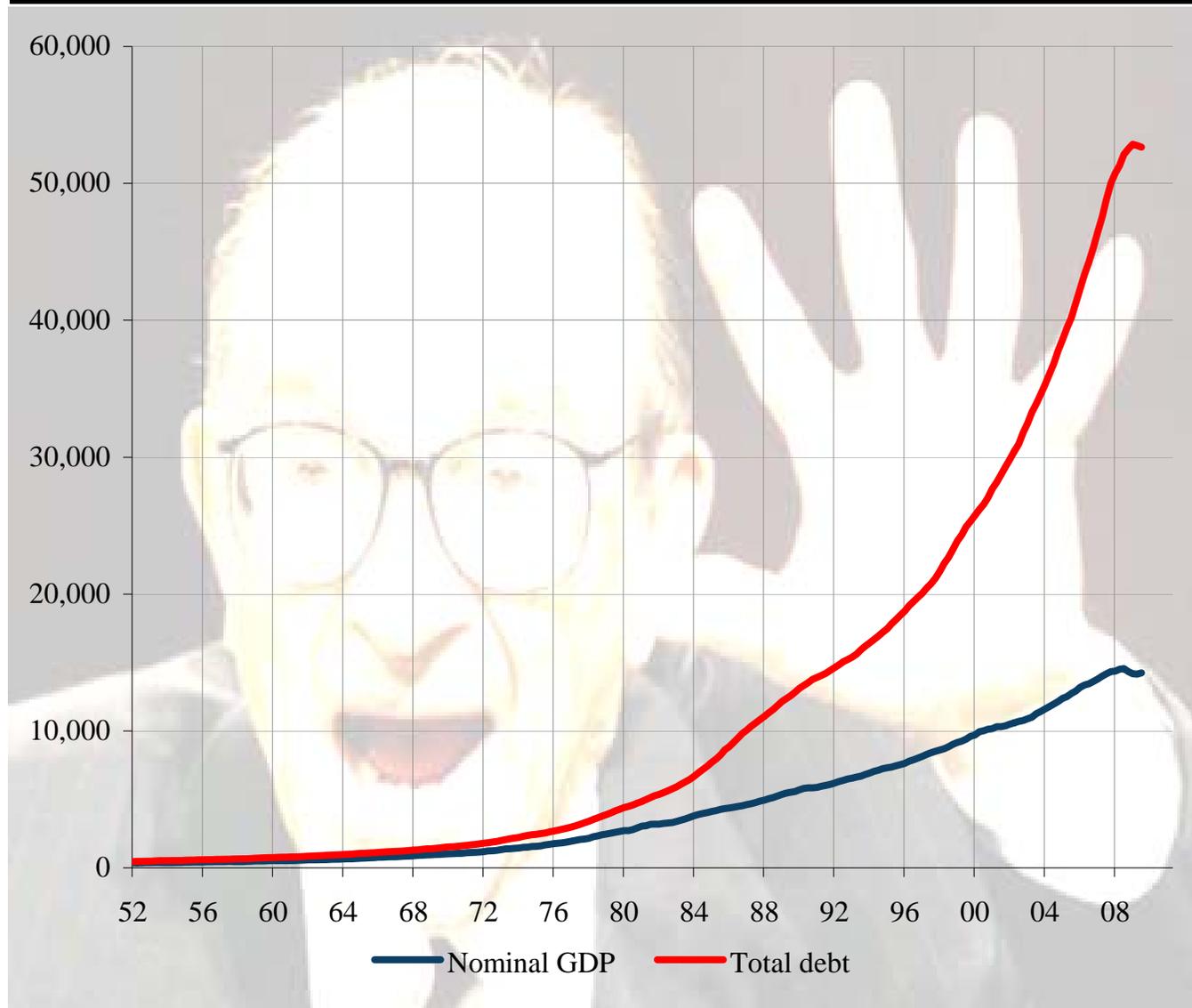


(b) Euro area



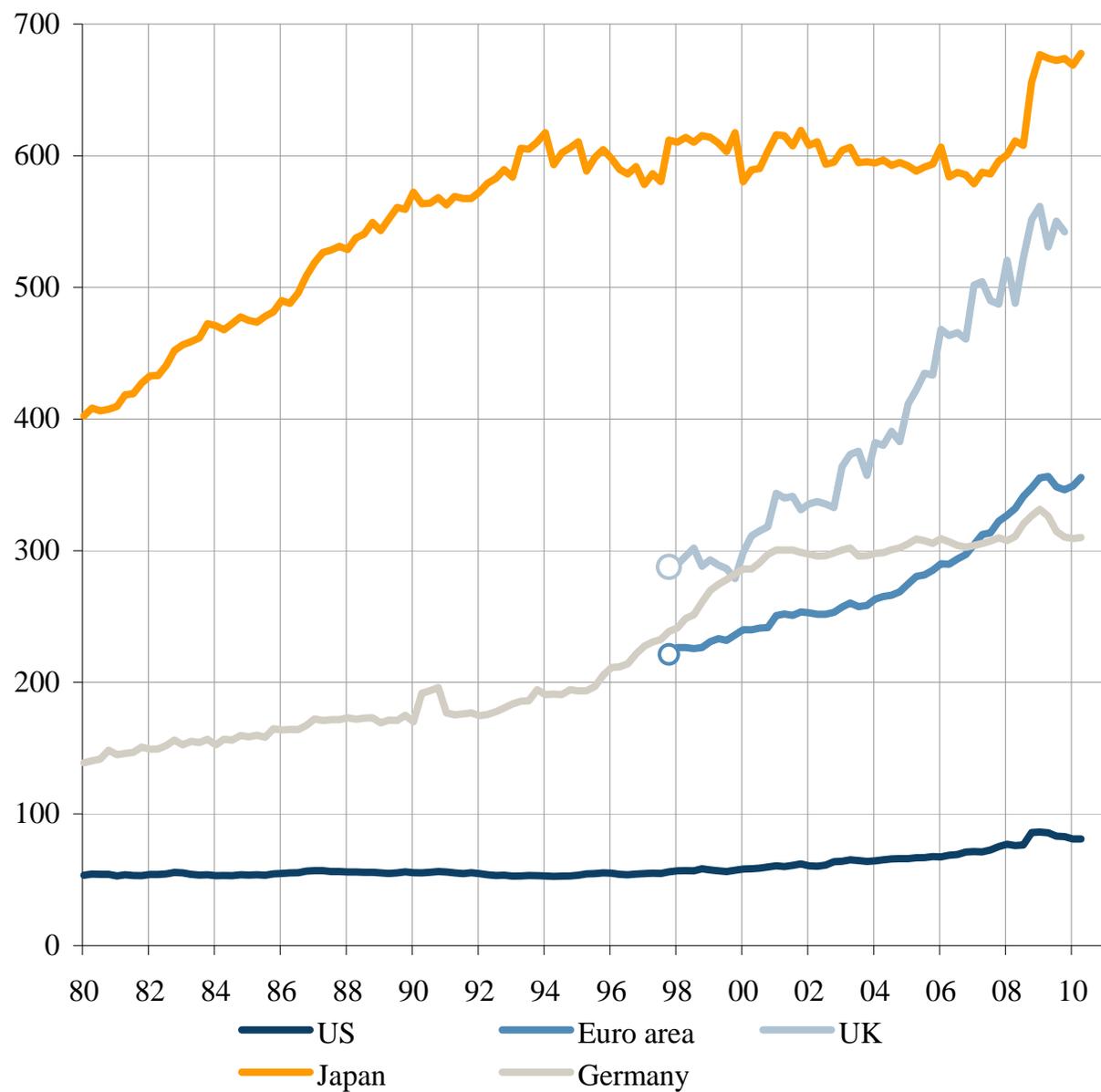
Source : Thomson Financial, own calculations. \*Series are indexed (Q3 '97 = 100).

## US nominal GDP and total debt, US\$bn



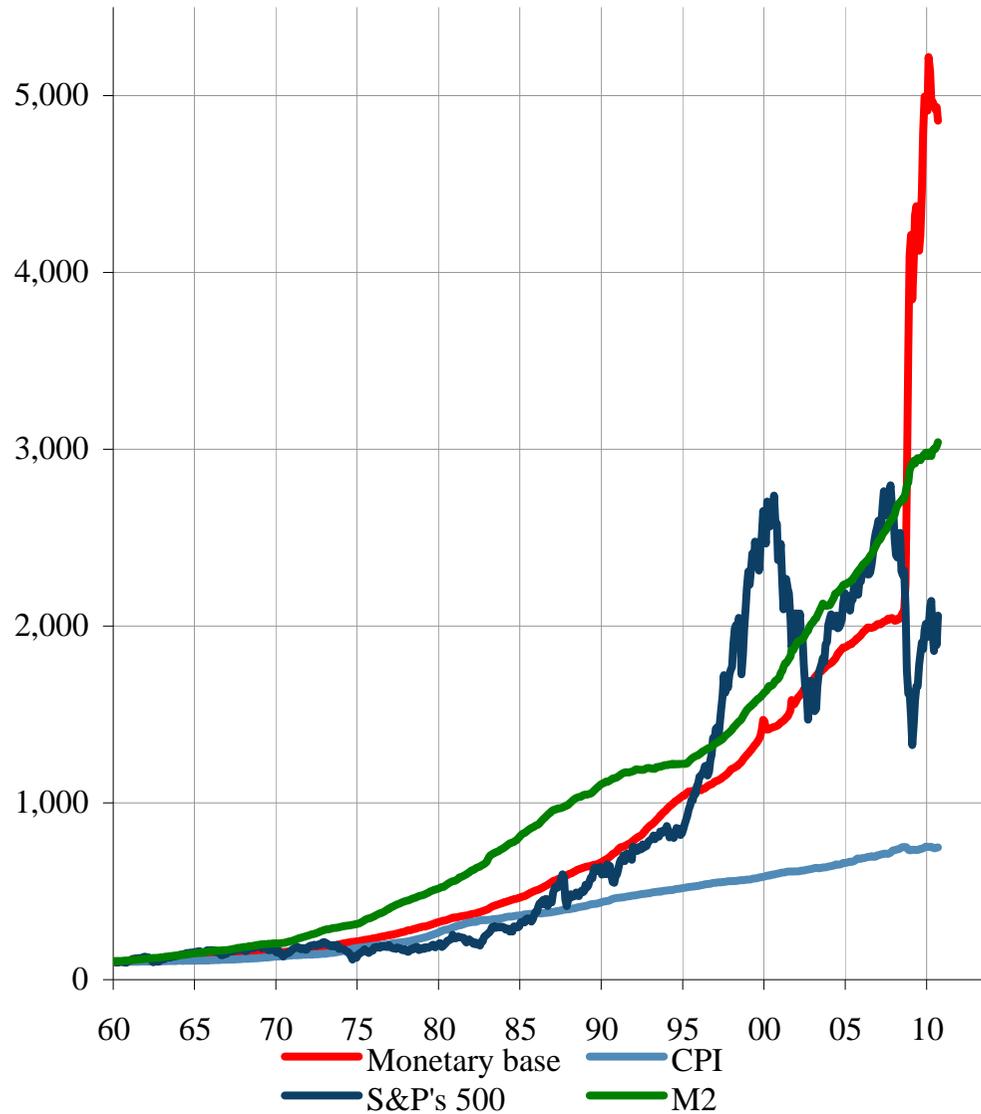
*Source* : Thomson Financial. - Nominal GDP annualized quarterly data. - Domestic nonfinancial sector (households, business, and state, local and federal government), domestic financial sector and foreign sector.

## Banks' assets in percent of GDP



Source: Thomson Financial, Bloomberg, own calculations.

## US monetary base, M2, CPI and stock market

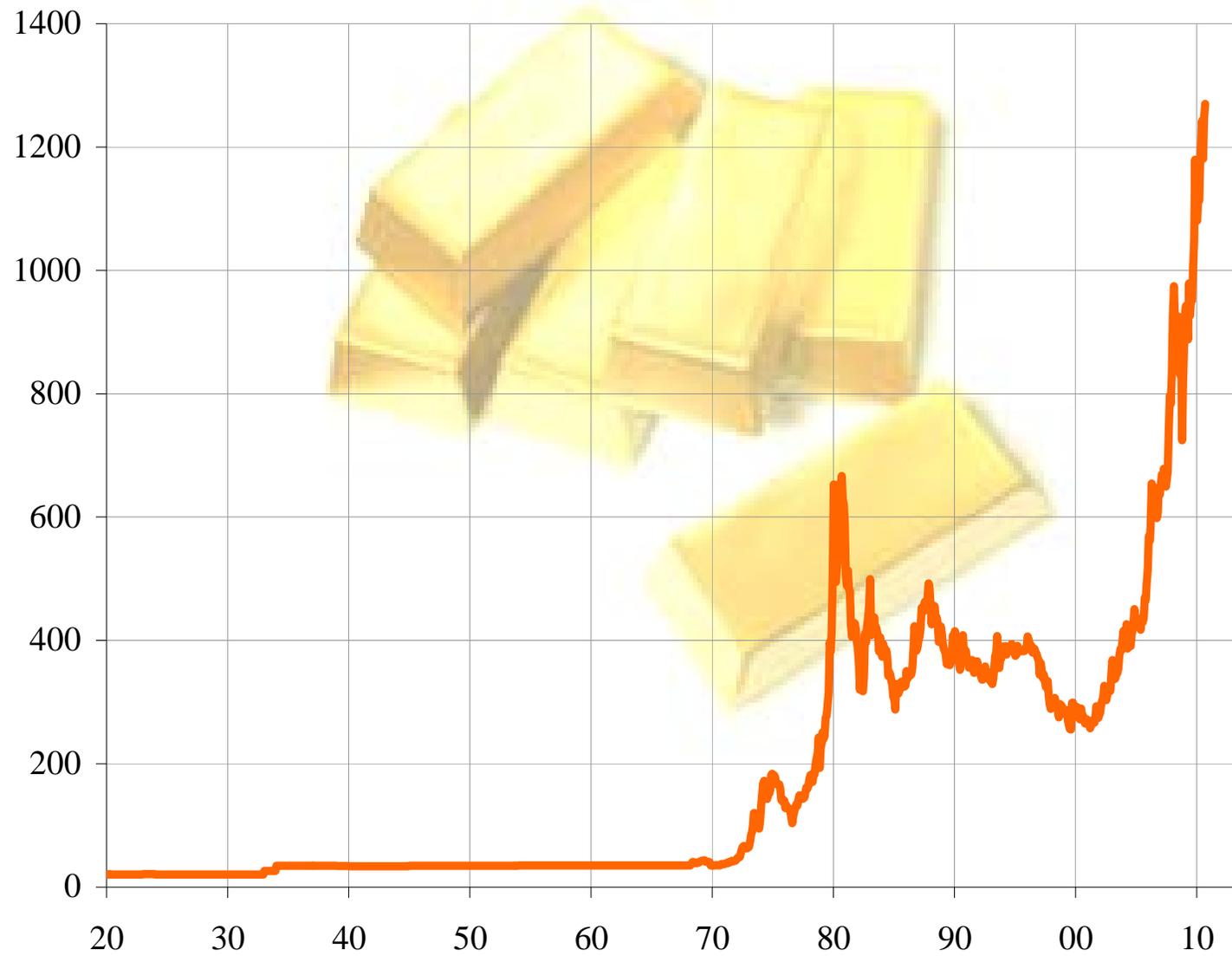


Source : Thomson Financial, Bloomberg, own calculations. All series indexed (January 1959 = 100).

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## US\$ per ounce of gold

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*Source: Bloomberg.*

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