



Greenspan: U.S. Won't Default Because We Can Inflate Money Supply

Former Federal Reserve Bank Chairman Alan Greenspan (left) came up with a novel way to claim the U.S. government would never default on debt: print the difference. Greenspan told NBC's "Meet the Press" August 7, in response to a question about the recent downgrade in the U.S. bond rating by Standard and Poor's:



"This is not an issue of credit rating. The United States can pay any debt it has because we can always print money to do that. So there is zero probability of default."

[Analysts ask, Zimbabwe-like inflation](#) of the dollar is not default? They say that Greenspan won't find that argument very persuasive to bond-holders, who won't be able to buy anything with their bonds when they come due.

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Greenspan was dubbed the genius "[Maestro](#)" of the economy by the establishment for keeping interest rates artificially low in the last decade and avoiding a major recession after the dot-com boom. But the low interest rates [led to](#) the housing boom and — together with other federal subsidies and regulations — the subsequent housing bust that nearly bankrupted Wall Street. And the housing bust also burst the general public's opinion of Greenspan's alleged economic genius.

The Greenspan "solution" is what presidential candidate Rep. Ron Paul (R-Texas) has warned about in recent years. On July 28, Paul [told](#) CNN's Anderson Cooper:

Governments our size and in this much debt always default in a different manner. The default has to come, but they'll default by paying the bills off with bad money. So we're constantly defaulting and we've done this over many, many years.

Though Greenspan is no longer in charge at the Federal Reserve Bank, his disciple Ben Bernanke is.

Ron Paul aide Jack Hunter wrote about Greenspan's remarks,

We already know that current Fed Chairman Ben Bernanke agrees with Greenspan that "quantitative easing" is a reasonable fiscal remedy.

History tells us that unsustainable debt is a recipe for financial ruin.

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