We have seen what happens when the government spends $X on a foolish (tax-financed) project. Interest rates probably up, prices uncertain.

Suppose instead the government had financed the project by printing money. Interest rates probably up, prices uncertain.
Spending and Printing Foolishly

This is inflationary!

Can It Happen Here?

Literally no. The Federal Reserve System is independent of the Treasury

Does it Happen Abroad

Let me count the ways…

Does it Happen Abroad

Germany during the Hyperinflation

Does it Happen Abroad

Germany during the Hyperinflation

Russia under Yeltsin

Does it Happen Abroad

Germany during the Hyperinflation

Russia under Yeltsin

Iraq under Hussein
Does it Happen Abroad

- Germany during the Hyperinflation
- Russia under Yeltsin
- Iraq under Hussein
- The United States under George

Accommodating Monetary Policy

The government is going to spend $X. Interest rates rise.

The Federal Reserve System engages in an open market operation at the same time.

It is as if we had used money to pay the bills.
The government is going to spend $X. Interest rates rise. The Federal Reserve System engages in an open market operation at the same time. It is as if we had used money to pay the bills. That is why we have the Fed independent of the Treasury.