

Details on Argentina 2013 AD, Roma 301 AD, UK/US 201x AD?

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Interesting details on the situation in Argentina today below. I remember price and wage controls in England in the 70s during the high inflation we had then. And I have read about how Roman Emperor Diocletian issued an [Edict on Maximum Prices](#) in 301, one of the last Western Roman emperors, who was trying to control the inflation caused by debasing the currency by controlling prices. (http://en.wikipedia.org/wiki/Roman_currency#Debasement_of_the_currency). I don't think they worked well in 301, 1971 or will in 2013.

Merchants either stopped producing goods, sold their goods illegally, or used [barter](#) . The Edict tended to disrupt trade and commerce, especially among merchants. It is safe to assume that a gray market economy evolved out of the edict at least between merchants.

Sometimes entire towns could no longer afford to produce trade goods. Because the Edict also set limits on wages, those who had fixed salaries (especially soldiers) found that their money was increasingly worthless as the artificial prices did not reflect actual costs.

As the fiscal situation in UK, US, much of rest of Europe and Japan is similar to Argentina a few years ago, or even the Roman Empire 1700 years ago, I think a similar outcome is likely. When governments consistently spend far more than they generate in taxes and fees then borrowing and/or money printing dramatically increase. At a certain point the lenders and people exchanging foreign currencies lose confidence in the government's ability to repay in real terms. Then interest rates, inflation and exchange rates increase a lot in a short period. The government reacts desperately with the only measures they have available - price controls, wage controls, pension adjustments, foreign exchange controls, capital controls, tax and fee increases, reductions in services. Most citizens lose 90% or more of their wealth in real terms.

Buenos Aires, Argentina 2013

Selling snake oil and issuing unbacked paper currency are not so different. They're both wildly successful ploys for the guys pulling the strings. And they're both complete scams that depend solely on the confidence of a willing, ignorant public.

But once the confidence begins to erode, the fraud unravels very, very quickly, and the perpetrators resort to desperate measures in order to keep the party going.

In the case of fiat currency, governments in terminal decline resort to a very limited, highly predictable playbook in which they try to control... everything... imposing capital controls, exchange controls, wage controls, price controls, trade controls, border controls, and sometimes even people controls.

These tactics have been used since the ancient Sumerians. This time is not different.

Today, Argentina presents the most clear-cut example. Here the 'mafocracy' unites organized crime, big business, and politicians to plunder wealth from Argentine citizens. Just since 2010, President Cristina Fernandez has--

- Nationalized private pensions, plundering the retirement savings of her people.
- Increased tax rates across the board-- income, VAT, import duties, etc. as well as imposed a new wealth tax.
- Inflated Argentina's money supply, printing currency with wanton abandon; M2 money supply has increased 215% in the past three years.

- Driven the value and purchasing power of the currency down by 50%. Street-level inflation is now 30%+ per year.
- Made a mockery of official statistics, comically understating the level of Argentine inflation and unemployment. She even began punishing economists for publishing private estimates of inflation that didn't jive with the government figures.
- Taken over control of one industry after another, most notably the nationalization of Spanish oil firm YPF's Argentine assets.
- Imposed export controls of agriculture products from beef to grains, forcing growers to sell at artificially lower domestic prices.
- Imposed capital controls, reducing her citizens' capability to dump their poorly performing currency and hold gold, dollars, euros, or anything else.
- Imposed a two month 'price freeze' on items in the supermarket, and encouraged retail consumers to rat out any grocer that doesn't abide by the government order.
- Imposed controls over the media, most recently ordered an advertising ban in Argentine newspapers (weakening their financial position).

Cristina's policies here are leading to shortages in everything from food to fuel to electricity. Hardly a month goes by without major strikes and disruptions to public services. The purchasing power of their currency is diminishing rapidly. And most people are completely trapped.

Of course, there were a handful of people who saw the writing on the wall. They learned the important lesson never to trust their government. They moved their savings to stable foreign banks. They purchased property abroad. They bought gold and silver, and stored it overseas. They were prepared when the plundering began.

The developed West is rapidly heading down this path. Europe is beginning to impose capital controls, and the IMF has sanctioned them. The US is rapidly printing its currency into oblivion, and confidence is eroding quickly. Russia just purchased an historic amount of gold, choosing real assets over more US dollar reserves.

It would be foolish to think the same things can't happen in the West. And even if it never happens, would you be any worse off for taking some of these basic steps?

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