What America Can Learn from the Greece Financial Crisis
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Observations on the Greece financial crisis and what America can learn:

1. Greece is only one example of an irresponsible, reckless, insolvent government, which is spending itself into bankruptcy. There are dozens of such countries, both developed and emerging.
2. Central bank and commercial bank credit financing of the government budget deficits in every country leads to inflation. This mechanism leading to inflation is subtle but pervasive and inevitable.
3. The solution to the problem is to prevent governments from requiring their central banks and commercial banks from creating new money and credit to finance government spending.
4. In the case of America, the budget deficit and the balance of payment deficit affect the entire world because the world is on the paper dollar standard. The dollar is the official reserve currency of the world. These US deficits are financed by the Fed, the commercial banks, and foreign central banks with new money and credit which cause the depreciation of the dollar. The vast new Fed created credit of QE1 and QE2 floods the world banking system with excess dollars, causing world wide inflation.
5. Greece is the concrete lesson for American public finance. Central bank and commercial bank financing of the government budget must be restricted or, even better, prohibited.
6. The best institutional restriction on undisciplined Federal Reserve discretion to finance the budget and balance of payments deficit is to establish convertibility of the dollar by statute to a fixed weight of gold and to end the official reserve currency role of the dollar.
7. When the dollar is convertible at a fixed parity to gold, then if the Fed and the banks create too much money and credit, causing inflation, the American people can protect themselves by turning in their undesired dollars for gold at the fixed parity. Since the Federal Reserve and the banks would be required by law to redeem the dollars in gold, the banks must then reduce the expansion of credit, tending to reduce inflation.

The gold standard, in a word, is democratic money. The sovereign American people should regulate the quantity of money and credit, not the Federal Reserve, a government agency. Gold is also the money of the Constitution as stipulated in Article I, Sections 8 and 10. Thus, the monetary system must be regulated by a democratic people, and not by economists manipulating the currency at the Federal Reserve Board and the Treasury.