Brazil has become a major power in the world economy since the 1990s. They have recently hosted the World Cup in 2014 and then the Olympics this past summer. These are events that very expensive, and only a stable economy can cover the costs. Brazil would never be able to do these things had their economy stayed on the same path it was on since the 1950s. Luckily, four drinking buddies figured out how to fix the economy, and were actually given the chance to do so.

Brazil had been stuck in a cycle of rising inflation for a long time. In the 1950s, the government wanted to create a new capital, and just printed new money to pay for it. By the 1980s, Brazil was set in a cycle: "New President comes in with a new plan. President freezes prices and/or bank accounts. President fails. President gets voted out or impeached. Repeat." (NPR). The quantity theory of money states that expected inflation leads to inflation. This was the cycle that kept happening in Brazil. The only thing people had faith in was that the government had no idea how to fix the problem. No matter who was in charge, everyone expected their plan to deal with inflation to fail, thus expected inflation and it did rise.

Four graduate school friends solved the inflation crisis by limiting money production and creating a fake currency. In 1992, the new finance minister knew nothing about economics, so he decided to call Edmar Bacha. Bacha and his three friends had been studying inflation since their grad-school days. They had always said that they were the only people who knew how to fix the economy, but now they were finally given the chance to do it for real. Their first action was to slow down the creation of money. This makes sense in terms of the liquidity preference theory of money, because as supply of money goes up, so do prices and inflation. Slowing down the production of money meant less inflation right off the bat.

The next step was to rebuild the Brazilian people's faith in the money itself. They could not do this with the cruzeiro, as it was marred in people's minds, so they made up a fake currency. The fake currency was called Unit of Real Value (URV). Though people would still use the cruzeiro, everything from wages to taxes to prices would be listed in terms of URV. There was an exchange rate between URV and the cruzeiro that would change, but people only saw the constant URV prices. After a while of this, "people would start thinking in URVs and stop expecting prices to always go up" (NPR). When a few months had passed, the prices in URVs were stable. This once again had to do with the quantity theory of money. The public stopped expecting URV to go up, and believed it was going to stay at a relatively constant level. This meant inflation would no longer be on the rise because of expected inflation.

The URV currency stabilizing meant that Bacha and his friends could implement the final part of their plan: making their fake currency real. Only July 1, 1994 the central bank sent truckloads of the new currency across the country and waited for Bacha and co to say the fake money is now real. Funnily enough, it was named the real. After the new currency was launched the Brazilian economy did a 180 and inflation ended. According to the article "in the years that followed, Brazil became a major exporter, and 20 million people rose out of poverty." (NPR). All because of a simple trick, making people think that a fake currency had value, Brazil is in line to become the next world power, the first South American nation to do so.