

Tuesday, November 29, 2005

### **Why I want free markets and honest money**

This post was gelling in my mind prior to yesterday's fall of the Liberal government, but now that every political hack in the vicinity is going to bombard me with lies promises for "change" I'll outline the kind of changes we need to see and why there is no politician equipped to attempt to deliver it.

I'm currently reading two books: Empire of Debt by the Daily Reckoning's Bill Bonner and Addison Wiggins, and The Monetary Elite Vs. Gold's Honest Discipline by Vincent LoCascio, whom in an act of supreme flattery, sent me a copy asking for my thoughts.

The former cautions against the folly of "world improving", proving the old adage of the road to hell and demonstrating how the unbridled fiscal disaster looming in the world today is a direct consequence of a desire to think up what is best for other people, and then setting about to impose those improvements upon a hapless world.

The latter argues for "honest money", describing in excruciating detail why what we have today is anything but, and why as a result of this, markets are not free the system is not stable and that things we take for granted as "normal", such as inflation and boom-bust business cycles, aren't. They are symptoms of an aberrant monetary system.

When I reflect on material such as this I realize that at heart, I'm a free market conservative in a lonely place. It's loney here because what passes for "free markets" in this day and age are really heavily rigged ponzi-schemes based on debt financing, and what passes for "conservatives" are actually magical thinking "New Economy" flakes using pixie dust to cut taxes, goose spending, borrow more money than is made and somehow come out "wealthier" on the other end.

Ideologies are dangerous things, but as a political animal I find myself in abject disagreement with the status quo in the West today, how things are run, what is promoted as "beneficial" and what are true motivations are, that I find myself frequenting the fringes of the political sphere, places where eccentric libertarians hang out and even other places where left leaning collectivists gather to "stick it to the man".

This latter group misunderstands free-market economic conservatism as much as the fake, conservative wannabees do themselves. I'm sure if they understood it, they would embrace it.

Dishonest money booby-traps the system.

Honest money would mitigate what I call "the rampant pursuit of money" (i.e. "Rampant Capitalism"). Rampant Capitalism is not greed for greed's sake but it is a horrible, unnatural side-effect of a dishonest monetary system. Because of inflation, which always recall is neither natural or inevitable, earnings and savings are eroded. It is a form of theft. If you go out and make a million dollars, you can't just take it off the table and retire. Especially if you're reasonably young, say under 50. Odds are you'll outlive your money because it inexorably loses its purchasing power over time, thanks to politicians and bankers who keep devaluing your million dollars by endlessly printing up billions upon billions more and then buying votes with it.

Business owners and entrepreneurs tend to understand this more acutely, and the only "cure" for this is to try to invest any retained earnings or savings into investment vehicles whose rate of return is higher than the inflation rate. This is exacerbated in today's climate where interest rates are held artificially low and the widely reported inflation rates are routinely manipulated to make them more palatable (i.e. reporting them ex-food and ex-energy because nobody eats or heats their home). The result is a treadmill and short sighted investment horizons which blur into daytrading and speculation.

Money that would have been well enough left in a savings account somewhere and preserving its buying power for a generation joins a frantic lemming-like rush around the world for returns on investment exceeding the destruction wrought by inflation: carry trades evolve, leverage is sought through margin, complex derivatives arise, it becomes "hot money".

A dumbed-down picture of the cycle, as enabled by dishonest money and world improving looks like this: A politician steps forward to tell us what his vision of what is best for everybody is. He makes promises so that if many people back his vision, he will distribute money from the few to the many (this is the only way the economics of vote buying works) The politician is elected and he proceeds to improve the edges of the empire Money is created to pay for the votes (promises, entitlement programs) More money is created to finance the improvement of the world (wars are expensive) next electoral cycle starts after a few of these, the next boom-bust business cycle starts

I think that complaints about "rampant capitalism" and "unbridled market forces" are really complaints about things that impede free markets and if leftists understood that, they'd turn into libertarians overnight.

When collectivist systems fail it usually reveals the folly of central planning and how it is often the most clueless way to try to organize a society.

So the failings in capitalism and socialism turn out to have one common element: a government run by a panel of short-sited monkeys deciding what's best for everybody else.

I think where libertarians differ from leftists is that the former understand that governments are part of the problem, and the solution is a minimal government whose function shouldn't stray too far beyond protecting the rights of the individual,

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while leftists don't like the governments that routinely get elected and think things will improve drastically if their idea of a big government was able to run the show for awhile.

My personal belief is that it is illogical bordering on delusional to think anybody knows what's best for anybody else. It's hard enough getting through your own life without getting smucked by a car on the way home from work, how are you supposed to know what everybody else is supposed to do?

Get rid of 99% of the government, make money honest, and everybody mind their own business. What could be so hard about that?

Posted by Mark Jeftovic in Armchair Analysis at 16:15