

Adam Smith Institute

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WE NEED A VISIONARY AT THE BANK OF ENGLAND, AND THERE'S ONLY ONE MAN FOR THE JOB

Sam Bowman

Daniel Hannan notes that Adam Posen, [Bank of England](#) Monetary Policy Committee (MPC) member and noted inflation "dove", promised last year to resign his post if inflation didn't fall to meet the MPC's inflation target. With inflation at around 3.5%, it looks like he will have to stick to his promise. There is only one person fit to replace him: monetary economist Professor Kevin Dowd.

Compared with more well-known economists like David Blanchflower, Dowd is not well known outside of economics circles. But his work on money and banking is ground-breaking. As one of the fathers of the "free banking" school (along with American economists George Selgin and Lawrence White), Dowd has laid the foundations for modern theories of private monetary and free banking systems.

We have a system of monetary socialism: the government has a virtual monopoly on the money supply, and dominates the banking system through its protection for favoured, entrenched banks. On inflation, Dowd is neither a "hawk" nor a "dove": applying such a distinction to him would be like saying Ludwig von Mises thought the Soviet Union should build more or fewer cars, instead of thinking that the state shouldn't have any role in the car-making business at all.

His book *Private Money* is a modern classic, outlining the practical realities of moving to a system of market-based money, without state involvement. (It's not online, but this review gives a good outline.) I have just read an excellent preview of a forthcoming paper of his on different private moneys like the Liberty Dollar and Bitcoin.

Dowd's work since the crisis has been superb, reminding free marketeers of the dubiousness of knee-jerk defences of banks, and outlining a plan to restore market mechanisms to the banking system - most notably, plans to ensure executive, depositor and shareholder liability in failing banks. His book (co-authored with Martin Hutchinson) on the 2008 crisis, *The Alchemists of Loss*, is a masterpiece. His lecture to the Adam Smith Institute last year, *The Decapitalization of the West* (video), was a tour de force, detailing the grim state of the world's governments and financial institutions. Read his **Cato Institute** publications here.

Dowd is that rarest of things: a visionary who is willing to roll up his sleeves and offer workable, gradual steps towards a better world. And nobody in Britain understands the great challenge of our age better than he does. As we teeter over the brink of perpetual financial crisis, we need someone with the wisdom to pull us back. Forget about hawks and doves: the Monetary Policy Committee's next member should be an owl.