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MONDAY, OCTOBER 25, 2010

## Cato: Bernanke is Not Printing Enough Money

A commentary on monetary policy that can only be described as coming out of the playbook of Zimbabwe's Robert Mugabe has been published on the pages of the Cato Institute. The conclusion of the commentary is that Fed chairman Ben Bernanke, who has over a trillion dollars sitting in excess reserves that can come flying into the economy at any time, and who promises a new round of trillion dollar money printing, is not inflating enough.

I kid you not.

Using Milton Friedman as cover, despite the fact that Friedman was very weak on monetary policy, the piece, written by David Beckworth and William Ruger, [states](#):

Had he been alive, Friedman would have been shocked to see the Fed in late 2008 and early 2009 allow nominal income, as measured by nominal GDP, to experience its sharpest downturn since the Great Depression. He would also be amazed to learn that nominal GDP forecasts are once more headed down.

Given these developments, Friedman would likely be calling on the Fed again to do a better job stabilizing nominal income...were Friedman alive today, he would balk at the notion that the Fed is out of ammunition. He would remind us that in the early-to-mid-1930s, when the economic environment was far worse and short-term interest rates were near the zero bound, monetary policy easily generated a recovery. Therefore, the Fed could do likewise today.

Friedman would likely make the case today for more aggressive monetary action. It is time for "Helicopter Ben" to earn his nickname.

Publishing this kind of regime nonsense makes one wonder just what the Koch funded Cato Institute is all about. Lew Rockwell appears to have nailed it:

This is yet another example of how the Koch Brothers operate. While their ideological institutions on public campuses or Capitol Hill operate under a veneer of libertarianism or even Austrian economics, the actual policies they push expand the State: massive money printing (for the big banks and big companies), school vouchers (to deliver private schools into the hands of government), the Ownership Society (every person a homeowner through Greenspan's housing bubble), Social Security Privatization (a new layer of forced savings on top of the present SS taxes, to benefit Wall Street), etc. Is it any wonder that the Kochs have never, in 28 years, invited Ron Paul—the only public official for honest money—to their annual monetary conference, but instead invite and hail the central bankers who can do the plutocrats so much good?

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**Gold Coin News**



Let's get a few things straight about Milton Friedman, when it came to government licensing of businesses and individuals and when it came to price controls, Friedman could argue with the best of them.

Yet, he was nowhere near the consistent thinker that Ludwig von Mises was. Friedman failed to ground his economics in proper methodology and clearly never understood Hayek's great book on methodology, [The Counter Revolution of Science](#).

And he had no clue about the business cycle. This is clear because he would never have called for Fed money printing, ever, if he understood how such printing distorted the capital structure.

That Cato would allow such a piece to be printed, which hails Friedman's money printing advocacy, indicates that they themselves don't get the business cycle or there are other motives which are ranked higher than economic truth.

As Stephan Kinsella has pointed out, this habit of straying from fundamental libertarian principles is not a one time phenomena for Cato. He [lists 17 other cases](#).

Bottom line: Any organization that is promoting money printing, especially at a time like the present when commodity prices are soaring, is far from a friend of liberty. Money printing pure and simple is theft and gives an edge to those who get the money first. It is most damaging to those on fixed income, like the elderly. Among the beneficiaries are the banking elite and those who hold vast quantities of commodities, such as oil. It's about the evil rich getting more rich and more evil. Beware those that are friends of inflation.

Posted by Robert Wenzel at 1:36 PM

### 3 comments:



**Taylor Conant said...**

Wenzel,

That's interesting. I was just having a debate with another libertarian via e-mail about how to win more supporters for Austrian econ. This gentleman was appalled that Austrians don't have "a seat at the policy table" and cited Milton Friedman as someone who was successful at "selling" the message of liberty.

I pointed out that Friedman "sold out" on monetary economics and that, given that central banking and fiat money are the central social, political and economic problems of the day (if not of all time), Friedman was an absolute disaster for liberty and not the one whose efforts and achievements should be emulated.

I believe my opponent remains unconvinced. Oh well. Not everybody is going to like the truth. As an Austrian, that's something I've just come to accept. Apparently people like him, and the Cato writers, just can't or won't.

October 25, 2010 2:16 PM

**Anonymous said...**

Let's make it very clear: Milton Friedman was never an advocate of free markets, despite the press that presents him in that fashion.

October 25, 2010 2:20 PM

**Anonymous said...**

I disagree with Anonymous #1 and Taylor Conant. This sounds like Rothbard's old criticisms on the attack. Rothbard is excellent, but he seemed to just want to paint Friedman as some kind of totalitarian, which he wasn't. His attacks on Adam Smith were similarly belligerent and senseless. But Rothbard is imperfect, just like Friedman was-- That didn't make Rothbard any less awesome on other subjects.

Yes, Friedman made mistakes, but the man "WAS" an advocate of free markets. To say that he wasn't one of the good guys is straight out wrong.

You can make damning statements about Jefferson or Hayek, just like you could about

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