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## Opinions

# Dear Liberals: It's Your Fed's Paper Money That's Thwarting Full Employment

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Image via Wikipedia

Last week, the Roosevelt Institute took notice of a massing conservative attack on the Progressives' Achilles heel: the Fed's paper dollar system. The Roosevelt's Mike Konzcel wrote, "Conservatives are organizing against a full employment mandate and rallying around the gold standard wing of their party, and I believe it is time progressives and liberals start to play offense."

Konzcel is half right and half wrong. But he is more astute than most. Conservatives are rallying around the gold standard wing of their party. But not against a full employment mandate.

Konzcel hurriedly is convening "The Future of the Federal Reserve Event" this week. Konzcel's a big deal. He is read by Krugman. His blog, [Rortybomb](#), was recently tapped by Ezra Klein in *Time Magazine* as the world's 22nd best economic and finance blog. Reuters' Felix Salmon rhapsodizes that he is "the Italian *Vogue* of the economoblogosphere, the best that there is, read by everybody who matters, if nobody else." And the Roosevelt Institute? Its chief economist is Joseph Stiglitz.

The progressive movement now is starting to play offense by ... riding to the defense of the Federal Reserve. High time that liberals are rallying to defend their mothership, arguably their most powerful bastion in the federal government. Conservatives indeed are launching a serious critique.

A revived supply side movement has captured and secured Fort Knox, the nation's gold repository. It is using Fort Knox as a base from which to direct heavy fire at the left's main redoubt, Fort Fed, where the printing presses are spraying an enfilade of deadly QEs.

"Conservatives are organizing...and rallying around the gold standard wing of their party." It began with important initiatives by some nonprofit organizations (with which this writer is professionally associated). Last year the American Principles Project and American Principles in Action [mobilized](#). Momentum grew substantially stronger this year when joined by the Lehrman Institute's web-based [The Gold Standard Now](#).

The movement also strengthened when, at a ceremony at the Capitol Visitor's Center, Dr. Judy Shelton importantly took leadership of [Atlas Economic Research Foundation's Sound Money Project](#). And the Manhattan Institute convened an [extraordinary gathering](#) to chart the future, introduced by Forbes' own Steve Forbes, articulating a clearly developing consensus for the gold standard. Only two months ago the [Tea Party Patriots](#) conducted a full breakout session on the gold standard at its first American Summit, a populist summit attended by thousands, and thousands more by web.

Cato Institute re-issued the iconic Gold Commission's Minority Report, "[The Case for Gold](#)," in e-book form, a report kept available to the public for many years by the [Mises Institute](#), long a lonely voice for gold. Mises also makes available Jacques Rueff's crucially important work on monetary policy and the classical gold standard, [The Monetary Sin of the West](#).

In the media, Forbes.com turned itself into the Fort Knox of cutting edge analysis for the restoration of gold. The *Wall Street Journal* re-opened its editorial page for significant occasional analysis of gold. The *Weekly Standard*'s Bill Kristol, from the right, publicly praised the gold standard, (as did the *Atlantic*'s Michael Kinsley, from the left).

The information ([downloadable here](#)) from Bloomberg's successful lawsuit against the Fed under the Freedom of Information Act is causing some of the greatest elite trembling since WikiLeaks. In the "economoblogosphere" [The Supply Side](#) became an internationally admired "Drudge Report" on supply side economics, including all things gold standard. (How did *Time Magazine* miss it?)

Libertarian icon Dr. Ron Paul conducted perhaps the most important [monetary policy hearing](#) in 40 years on rising prices, featuring three distinguished gold standard proponents: James Grant, Lewis E. Lehrman, and Prof. Joseph Salerno. Conservative champion Rep. Mike Pence, in [a speech before the Detroit Economic Club](#), said "The time has come to have a debate over gold and the proper role it should play in our nation's monetary affairs."

Upcoming: The Iowa Tea Party, in concert with American Principles in Action, is [revving up a blitz](#) throughout the first caucus state. One of its featured messages? Gold money is honest money.

Upcoming: hearings by the House Domestic Monetary Policy Subcommittee discount window lending practices by the Fed.

Bravely facing this onslaught, Konzcel cleverly insinuates a counterfactual clause: "against a full employment mandate." Conservatives embrace gold not "against a full employment mandate" but because, by history and data, gold-based currency has proven itself as the key to the full employment mandate. Conservatives are turning to classical gold convertibility as the authentic proven way of uplifting workers. As the Sage of Mexico, Hugo Salinas-Price, [has written](#) most eloquently, "the gold standard is the generator and protector of jobs."

As pointed out by Forbes.com columnist [Charles W. Kadlec](#), writing in the [Wall Street Journal](#):

From 1947 through 1967, the year before the U.S. began to weasel out of its commitment to dollar-gold convertibility, unemployment averaged only 4.7% and never rose above 7%. ...

What's happened since 1971, when President Nixon formally broke the link between the dollar and gold? Higher average unemployment, slower growth, greater instability and a decline in the economy's resilience. For the period 1971 through 2009, unemployment averaged 6.2%, a full 1.5 percentage points above the 1947-67 average, and real growth rates averaged less than 3%. We have since experienced the three worst recessions since

the end of World War II, with the unemployment rate averaging 8.5% in 1975, 9.7% in 1982, and above 9.5% for the past 14 months.

When confessed liberal Paul Krugman recently [attacked gold proponents](#) it drew [this withering response](#) from esteemed economic historian and Forbes.com columnist [Professor Brian Domitrovic](#):

There's another fact-defying entry from Paul Krugman. His blog post from January 30 is titled, "Recessions Under the Gold Standard," and the text manages to undermine both terms in that title. A total of one recession is adduced, that surrounding the panic of 1893, which as they used to teach in school, came about specifically because the US had recently balked at the gold standard and permitted the mass monetization of silver. No "recessions" plural and no gold standard.

You've got to look under a lot of rocks to find recessions in the era before the silver purchase act of 1890. For the 1880s, when the US was closest to being on a full gold standard, were the greatest decade of real economic growth in the nation's history, and the only competition is the 1870s, when the US made the decision to commit to gold. We're talking 5-6% growth per annum for the long haul.

The progressive fairy tale (which they actually seem to believe, and is rather sweet ... except for the [calls to guillotine us](#), probably, dear reader, including you), casts conservatives as miserly creatures looking to squeeze every ounce of work from the sweet, vulnerable, working class at bare (and preferably below) subsistence wages.

Not so fast, Mike. That's all fairy tale. It's the progressives who have proved too willing to sell out the workers in return for elevating the liberal elites. Conservatives stand for real jobs, more jobs and better jobs. According to the supply side's narrative the last time we were in power, with Reagan, we formulated and implemented a policy of a strong dollar and lower tax rates. That policy mix, of which gold is an improvement, quickly generated 20 million jobs. The nice thing about our fairy tale is... it's true.

Yes, Mike, the Supply Side is rallying ... after being out of power for three Bush terms with benighted, Progressive-scale, 2% annual growth rates. And your people have been in power for years. The unemployment rate is way over 8%. It is understandable that you would feel defensive.

The evidence shows your Fed's papier-mâché money to be a big part of what is thwarting full employment. Honest money — dollars convertible to a defined weight of gold, not "faith-based" Federal Reserve Notes — carries the full employment mandate. That mandate belongs to conservatives, not to the Roosevelt Institute.