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Cato Institute Goes After the Fed with Team of Economics Heavy Hitters

Selgin at the Helm to "Bury the Myth" of Central-Bank Supremacy

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The libertarian Cato Institute wants to usher in a “more free-market monetary system” for the United States. On Monday, CEO John Allison announced a new Center for Monetary and Financial Alternatives, under the leadership of George Selgin, professor emeritus of economics at the University of Georgia and a scholar of monetary theory and history.

“We must bury the myth that [the Fed is] our only hope,” Selgin said. “We don’t want to turn back the clock to 1913, or to any other bygone era. But we do need to change the intellectual climate from the present one — with its hostile and ill-informed response to any suggestion that a monetary system consistent with the rule of law and genuine competition might be an improvement upon our present autocratic central bank.”

The Cato center will address several problems with the current state of banking and financial sector regulation. The DC-based policy institute’s press release notes the “creation of a private deposit insurance pool for small depositors, as well as measures that would expose even the largest financial institutions to a genuine risk of failure, and thereby compel them to either acquire more capital or take fewer risks.”

“The new myth is that the recent financial crisis and failed recovery were caused by banking deregulation and greed on Wall Street,” Allison wrote in his book, *The Financial Crisis and the Free Market Cure*. “In truth, the banking industry was never deregulated … it was misregulated.”

Thomas J. Sargent and Vernon L. Smith, both Nobel Laureates in economics, will be members of the Council of Academic Advisers, among some of the most distinguished economists in the country.

“Our intent is that the work of the Center will result in a comprehensive, practical roadmap for implementing the fundamental policy reform needed to preserve liberty and prosperity through a free market monetary and financial system,” Selgin concludes.