

Power Line Blog: John Hinderaker, Scott Johnson, Paul Mirengoff

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END THE FED?

March 21, 2011 Posted by John at 1:04 PM

At the micro level, I understand banking well enough: the bank lends me money and I have to pay it back with interest. At the macro level, however, the banking system is a mystery. So for me--and likely for you, too--a new video series on central banking by the Center for Freedom and Prosperity is of considerable interest. This leadoff video by Dan Mitchell of the Cato Institute offers a brief introduction to the history of central banking. Future videos will explore alternatives to the current system, which has neither a very long pedigree nor a particularly good track record:

I doubt whether ending the Fed is the right answer, but one silver lining of the recent financial crisis might be the opportunity to rethink our central banking system.



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Although I know even less than John Hinderaker about central banking, I do have a certain warmth about the Fed. In 1912 my father was a grocery clerk at a general store in the small town of Durant, Okla. Being an admirer of Woodrow Wilson, he, having the benefit of a seventh grade education from a country school in Texas, and after the election of 1912, carefully studied the Federal Reserve Act of 1913 and was able to leverage his new won knowledge into an appointment as the assistant cashier in a local bank. Some years later he became a vice-president of this bank and still later of a bank in a larger town. Even later, he acceded to the chairmanship of the Oklahoma State Regents for higher education, where, in this capacity he signed the diplomas of myself, my wife, my sister and my brother-in-law upon our graduation from the University of Oklahoma. So I and my family owe a great deal to the Federal Reserve system.

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**Emily Currin** · Columbia

haha if you recall, back when you said "why would I get facebook"?.....i believe I gave just this function as an example. vindicated!

Like · Reply · 14 hours ago

**John Hinderaker** · ★ Top Commenter · Friends with Amanda Carpenter

"Even less?" :)

Like · Reply · 12 hours ago

**Dick Lepre** · University of Notre Dame

The Fed was massively successful in solving the post-Lehman liquidity crisis. See my piece at:

<http://bit.ly/i8GOVS>

There are 2 alternatives to letting the Fed determine money supply with no constraints: 1) the gold standard 2) basing money supply on reserves of foreign currencies.

One problem is that monetary policy is, at present, twisted up with fiscal policy. It is very difficult to determine monetary policy while running \$1.5 trillion deficit. QEII is essentially a partial monetization of debt.

1 · Like · Reply · 18 hours ago

**Clay Moffett** · Carolina Beach, North Carolina

While the Fed has made many mistakes, having them as the lender of last resort has been essential to our continued economic existence. After 9/11 and after the collapse of Lehman the Fed's ability to step in and provide massive amounts of liquidity basically saved the banks, financial institutions, individual savings/pensions and the economy as a whole. Much of the difficulty with fed policies also stems from political decisions - which the fed must respond to as a federal agency. While it was formed to be independent on monetary policy, it still pays homage to the executive branch/the secretary of the treasury. Some of the decisions of the politicians impact what the fed can and should do as well.

The argument about inflation is to simplistic. It ignores prosperity and productivity - which having more capital available (than would have been on a gold standard) have generated. For example. Before the Fed was created, the average worker made 50 cents a day - a new tailor made suit cost 100. So it took the average worker 200 wor...[See More](#)

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**Eddie Gilchrist**

oh lordy.

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**Lee Ann Zochert Swanson**

Sent this video to my son for commentary - FWIW:

watched the video and I've seen the chart on the dollar decline since 1913 hundreds of times in the last 6-7 years

