Quantitative Easing?

Liberty Trumps Keynesian Economics

James Ronald Kennedy
www.kennedytwins.com

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The Federal Reserve's Quantitative Easing policy was reduced to its simplest form in an animated cartoon posted on You Tube November 11, 2010 titled "Quantitative Easing Explained." During economic recessions we often hear political pundits and special interest groups demanding the government "do something" to stimulate the economy. The "something" demanded of government is to stimulate the economy by printing money and dumping it into the economy in the hope of the new money will encourage business people to borrow and spend the new money thus increasing employment. This theory (unproven idea) was the brain child of British economist John Maynard Keynes. Some Keynesians have suggested literally dumping the new money out of helicopters!

The problem is that "we the people" who are not part of the Wall Street (Financial) nor the K Street (Washington, D.C. lobbyists) crowd view such schemes with no small amount of suspicion. From experience we have learned that such "Quantitative Easing" always works to the benefit of financial centers that have close connections with Washington, D.C. insiders. We have also learned that "we the people" who have no close connections always end up paying the bill either via decreased value in our 401k investments, higher taxes, and or increased prices caused by government induced inflation.

Shortly after the November 11th You Tube anti-Federal Reserve cartoon posting those supporting the Keynesian theory of "money pumping" struck back with their own cartoon posted November 15th. Thus we have the great debate that has been ongoing in America since the very beginning of the country. Keynesians are following a theory of government advocated in 1791 by the high federalist Alexander Hamilton. He wanted an American central bank in order to encourage an energetic federal government that would benefit commerce. Thomas Jefferson on the other hand rejected such notions of big government because he feared it would become an instrument by which certain well connected business and political people would enrich themselves at the expense of the average citizen. Jefferson denounced Hamilton's commercial/banking scheme as an attempt to establish a big government controlled by "…an aristocracy, founded on banking institutions, and moneyed incorporations…" that would ride and rule over "…plundered ploughman and beggared yeomanry."

The question we should be asking is not whether Quantitative Easing would improve the overall economy but does government have the right to forcefully deprive one segment of society of its private property in order to benefit another segment of society? Viewed from this perspective it is clear that Quantitative Easing by the Fed is not a question of would it work (utility) but one of does it have the moral right (principle)? Hamilton, Keynes, and Krugman (typical of the Wall Street/K Street crowd) advocate utility whereas Jefferson, Mises and Hayek (typical of "we the people" of the once Sovereign States) advocate for the principle of personal liberty. Historically special interest groups with the backing of a supreme federal government win—will today be any different?