

Federal Government Continues Its Money Monopoly

The Federal Reserve has continuously expanded the money supply by more than the growth of the economy, inflicting great damage

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Fred Foldvary, Ph.D.

Economist

The federal government continues to enforce its money monopoly under the new Obama presidency. In June 2009 the FBI arrested the chiefs of the private Liberty Dollar company. Among those arrested was an instructor at the Liberty Dollar University training sessions and the woman who manages the Liberty Dollar Fulfillment Office. The Liberty Dollar web site alert exclaimed, "The FBI strikes again!"

In November 2007, during the primary presidential elections, when Liberty Dollars was about to issue copper dollar medallions depicting candidate Ron Paul, the FBI had raided the headquarters of Liberty Dollar and confiscated their materials and records. But the Liberty Dollar company continued in operation. Now the federal government has made it clear that it will enforce its money monopoly. The coming trial will test whether the use of a private barter currency is legal in the USA.

There are people who consider themselves to be monetary reformers who advocate a monopoly government currency. But in effect, the USA has had a government monopoly currency since the Civil War. Since the end of the price controls of World War II, the US dollar has been continuously losing purchasing power. The Federal Reserve has continuously expanded the money supply by more than the growth of the economy. The inflation has in effect been a tax on money holdings, and has inflicted great damage on the US economy.

When the federal government expands the money supply, this does not just raise prices, it also distorts the structure of relative prices. It is a disturbance in the economic space-time continuum!

Prices rise soonest, fastest, and highest where the money is being loaned out. During the real estate boom until 2007, much of the lending went to real estate, and land values zoomed up. The Federal Reserve money monopoly does not just inflate the currency, but causes distortions that end up in recessions such as the current one. Monetary policy along with government's subsidy to land values created the boom that ended with the Crash of 2008. Today's monetary expansion will again result in more inflation and distortion later.

So some folks turned to a private metals-backed currency as a protest and as an example. The fact that the government is stifling the private Liberty Dollars shows that it fears that the people could abandon the US dollar as it inflates. But in the end, governmental resistance is futile, as foreign governments are starting to abandon the US dollar as an international currency.

The advocates of a fiat governmental currency monopoly have not explained how they justify prohibiting private currencies. Their silence implies there is no moral or economic justification for prohibiting voluntary exchange with whatever barter or money terms the parties desire.


The Ninth Amendment to the US Constitution states, in its entirety, "The enumeration in the Constitution, of certain rights, shall not be construed to deny or disparage others retained by the people." This recognizes that the people have rights even if not specified in the Constitution, and that these rights existed prior to the Constitution and do not come from government. These are common-law rights and natural rights. The fundamental natural right is to do anything that does not coercively harm others. There is therefore a natural and common-law right to engage in voluntary exchange, which is also a Constitutional right under the Ninth Amendment.


But the US courts have ignored the Ninth Amendment, and it may also ignore it in this case. The future of the US dollar is bleak, as the trillion dollar federal deficits over the next decade will create pressure on the Federal Reserve to buy the debt by creating ever more money. As the federal debt escalates and the US dollar loses value, US treasury bonds will no longer be regarded as absolutely safe. The US government will not be able to prevent foreign government from abandoning the dollar as a currency reserve, but they can crack down on Americans who seek alternative currencies. Thus the federal government's war on private money.


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Economist

FRED E. FOLDVARY, Ph.D., (May 11, 1946 — June 5, 2021) was an economist who wrote weekly editorials for [Progress.org](#) since 1997. Foldvary's commentaries are well respected for their currency, sound logic, wit, and consistent devotion to human freedom. He received his B.A. in economics from the University of California at Berkeley, and his M.A. and Ph.D. in economics from George Mason University. He taught economics at Virginia Tech, John F. Kennedy University, Santa Clara University, and San Jose State University.

Foldvary is the author of *The Soul of Liberty*, *Public Goods and Private Communities*, and *Dictionary of Free Market Economics*. He edited and contributed to *Beyond Neoclassical Economics* and, with Dan Klein, *The Half-Life of Policy Rationales*. Foldvary's areas of research included public finance, governance, ethical philosophy, and land economics.

Foldvary is notably known for going on record in the *American Journal of Economics and Sociology* in 1997 to predict the exact timing of the 2008 economic depression—eleven years before the event occurred. He was able to do so due to his extensive knowledge of the real-estate cycle.

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