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Immutable Money

BY RICHARD W. RAHN

AS GOVERNMENTS MANIPULATE CURRENCIES, CITIZENS SEEK PRIVATE PATHWAYS TO SOUND MONEY

What is money? The coin and currency that you have in your pocket? The balances you have in your checking, money market or savings account? How about the value of your stocks and bonds? The government (mainly the Federal Reserve) provides numbers about the money supply — M1, M2, M3 and M0, which only goes to show that there is no simple definition on which all agree.

The economist-technologist-philosopher George Gilder, who has written many bestselling and provocative books, including "Wealth and Poverty," "Microcosm," "Telecosm," "Sexual Suicide" and "Knowledge and Power," has now produced a remarkable essay titled, "The 21st Century Case for Gold: A New Information Theory of Money." In sum, Mr. Gilder argues that money is information, and that at some point a bitcoin-like non-government money will emerge on the Internet whose price will merge with that of gold, becoming bitgold.

Mr. Gilder notes that there are seven international units and measures, all grounded in basic constants of physics. These metrics are the second of time, the meter of extent, the kilogram of weight, degrees Kelvin of absolute temperature, the ampere of electric current, the mole of molecular mass, the candela of luminosity. These units cannot float because the metrics provide the basis of all industry and construction. He argues "the second of time" is the most basic because it is immutable and irreversible. This leads him to then argue that: "Money as the metric and information bearer can be reliable to the extent that its value is also rooted in time."

As with most other things that the government touches, it has managed to make a mess of money. The American Founders had intended money to be gold and silver coins, and the extremely stretched tie with gold did remain until 1971. The U.S. dollar, the euro, the yen and all other major currencies no longer have any tie with gold (or any other commodity). Mr. Gilder and others argue that only gold is rooted in time. (Justice cannot be done with this argument in a short piece such as this.)

The major central banks of the world have increasingly drifted away from providing "sound money" for their citizens and are increasingly focused on using monetary policy to provide cheap financing for government deficits — by artificially holding down interest rates which, in turn, is a non-legislated tax on savers. Governments have also become increasingly intrusive in monitoring all financial transactions under the guise of "fighting money laundering," while their real motivation is to extort more taxes and exercise more control over the citizens.

Those who love liberty and economic growth and opportunity have been for many years seeking private solutions to get around the abuses by government of its monopoly money. The most promising technology for the individual to free himself from the government monetary shackles has been the development of bitcoin, which allows largely anonymous transactions from peer to peer, without going through the banking system. Those in government hate the idea of bitcoin and its newer competitors because it largely destroys their global power to monitor and extract tribute from transfers of goods and services, and wealth.

This past week, the annual FreedomFest conference, attended by several thousand people, was held in Las Vegas. Among the speakers were Marco Rubio, Donald Trump, John Stossel, Steve Forbes and many other well-known business leaders and economists, including George Gilder. At one of the sessions, Mr. Gilder spoke about the future of bitcoin and its digital cyberspace competitors. All of those on the panel and most of those in the tightly packed room were enthusiastic about the future of bitcoin (which is still an emerging and ever-improving technology). I share their goals and hopes because to the extent they succeed, they will greatly reduce transactions costs, thus increasing prosperity, and have put a break on ever-expanding government power and abuse.

But — and this is a big "but" — 16 years ago, I wrote a book, "The End of Money and the Struggle for Financial Privacy," in which I discussed the potential of private digital money. At the time, Milton Friedman told me that though he agreed with my thesis, it would be much longer in coming than I expected, and that government would put many more obstacles in place. Friedman was right in that I had underestimated what the government would do to stifle and destroy any attempt to compete with its monopoly on money, no matter how incompetently the government managed it or interfered with basic civil liberties. Citizens who wish to free themselves from the tyranny of government money and the Big Brother intrusions into their financial affairs should let their elected representative know that they will look unkindly on attempts to stifle the new global monetary experimentation.

Richard W. Rahn is a senior fellow at the Cato Institute and chairman of the Institute for Global Economic Growth.

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