



[A libertarian Fed?](#)

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A bewildering [article](#) in the *Financial Times* by economist Henry Kaufman made the peculiar claim that the Federal Reserve had a commitment to libertarian dogma and laissez faire. He obviously does not understand these words. Despite Alan Greenspan's early writings, his *actions* at the Fed should have disabused any of the idea that the Greenspan Fed was in any sense libertarian.

Indeed, throughout his tenure, Greenspan was constantly berated by free-market and libertarian economists. Bill Fleckenstein called him "bubble-blower in chief".

In his widely-noted article in the *FT*, Kaufman cites as examples of the Greenspan Fed's failings the growth of securitization, quantitative risk modeling, and the infamous failure to recognize bubbles. But there are in no sense libertarian; the last, indeed, is just blindness and ignorance.

There is now widespread discussion among U.S. establishment economists about how to recognize asset bubbles; Treasury Secretary Tim Geithner wants to establish a study group to devise ways of making sure bubbles do not become dangerous. But many observers, including libertarian-inclined economists and even more casual observers, warned repeatedly about the housing bubble and the Fed's primary role in creating it, by keeping monetary policy far-too-easy for far-too-long after 9/11. This is not Monday morning quarterbacking; the warnings were loud and repeated as the bubble built.

The "Greenspan put" (by creating an asymmetry between risk and reward), was another major legacy of the Greenspan Fed; it helped ensure the bubbles grew larger and longer; there is no sense in which that can be deemed "libertarian".

We might agree on some of the failings of the Greenspan Federal Reserve, but we should at least call it something it clearly wasn't.

Indeed, the very concept of the Federal Reserve is the antithesis of libertarian dogma: it is a price fixer (interest rates) and a government-enforced monopoly (issuer of monetary notes). There is now a move afoot in the U.S., led by Rep. Ron Paul, a Misesian, to abolish the Federal Reserve. More likely to get somewhere in the short term is another move, also led by Paul but with growing bi-partisan support, to force the Fed to open its books. After all, despite all the much-vaunted talk of independence, the Fed is just another branch of government and taxpayers and savers are on the hook for its profligacy.

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