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## Money, deflation, and progress

**The more I learn about economics and monetary policy, the more I see that it all comes down to people getting off their ass.**



If the government prints up a bunch of phony money, and that whips people into a frenzy so they work hard, well that is good for the economy. If the leadership rails against foreign powers like FDR and the President of Iran did, and that gets people worked up into a frenzy, well that is good for the economy.

I think economists should be far more concerned with human psychology and less with M2 aggregate redistribution rates. The Austrian school of economics tends to eschew

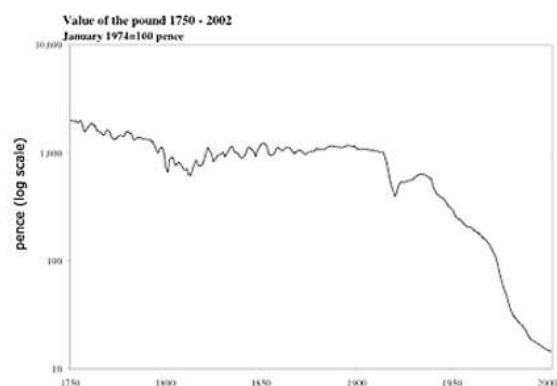
some the traditional geekiness of the profession, perhaps sensing that traditional economics is a study of symptoms, not causes.

I began to understand how different Americans are when I had the opportunity to travel to Europe. Almost every country I visited had residents that protested that Americans work too hard. The propensity to hard work might account why Japan can be such a small place with such a huge economy.

Where I depart from libertarian thinking is when we are told that the sole cause of the business cycle is the Federal Reserve or fiat currency. No matter what the basis for our currency, human nature will stay the same. So even with a gold standard there will always be bubbles of enterprise and then a bust. I do believe the severity of the boom-bust cycle would be greatly reduced if we had a sound monetary system.

Far more important is the work ethic. For that, fair tax policy and low barriers to entry are essential to keep us incentivized. We keep reaching for that brass ring. As long as America husbands and wives can both work at a job, then come home and work raising a family and maybe even a little side work trying some entrepreneurial dream, well America is going to keep doing just fine. And that is no matter what the Federal Reserve and the Congress does in the mean time.

4. Chart 4 Value of the pound 1750-2002 (log scale)



Still, politicians can do a lot of damage. Above is the value of the British pound sterling over the last 250 years. It was relatively stable until WWI. Lets hope that the recent American wars, those wars designed to transfer wealth into the connected elite instead of make us safe, will not have the same effect. It sure looks like we are going to hell in a hand-basket, at least as of summer 2011.