

Concerns for the Utilitarian and Ethical Characteristics of Money

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Looking at current monetary policy, one might be lead to think that money has always been, and always will be in the hands of politicians and bureaucrats, regardless of ethical or economic consequences. Thankfully, this is not the case. Money is a creation of the unhampered market, not a government. To be clear, money is a commodity that has developed into the market's medium of exchange. (Rothbard B, 14) Money is not created by a government, although a government may monopolize its production. To determine if money can exist outside of the state only requires a look into the past, before governments began a long process to bring money production under their control. During this process, however, a government only affirms the unhampered market's choice of money (Mises, 70) In addition to considering whether or not money can exist outside of the state, it is imperative to consider whether money should exist outside of the state. The importance of observing a private property ethic and the economic consequences of a government's monetary policy will be looked at in detail. Based on both ethical and utilitarian grounds, it will be concluded that money should remain outside the state, the same place it originated. Hans Sennholz puts it most simply "Freedom of our currency is the fundamental issue; it is the keystone of a free society." (9). As will be shown, money can and does exist outside of the state, the real question is whether it should or should not. It will further be shown how the result of state ownership of money is detrimental to economies, in addition to violating a very basic ethical principle. Combined, the ethical and economic arguments will show that money should not exist inside of any state control.

To best understand what money is and how it can exist outside of state control, it is necessary to understand how money is created. As previously defined, money is the medium of

exchange, which it becomes through a process, not a decree by a state or even a single individual. The process is best described by nineteenth century economist Carl Menger's "On the Origins of Money." Menger begins the article, published in 1892, by pointing out "The enigmatic phenomenon of money is even at this day without an explanation that satisfies:". Menger finds these explanations of money being "a token of state regulation" to be unacceptable since "the choice of the precious metals by law and convention [as the media of exchange]... presupposes the pragmatic origin of money." Menger then pursues a detailed description of how money comes to be the general medium of exchange.

Before money exists in a market, trade is conducted by barter, or simple commodity exchange. In a barter economy goods are more and less marketable, or saleable. This simply means that some goods are more highly demanded, and are easier to trade away. As a market expands its number of willing participants, it begins to be difficult for a barter economy to sufficiently meet everyone's needs. Eventually one good emerges as the most marketable, or salable, good because it has several characteristics that Menger lists. They are: the number of people demanding the good, the purchasing power of those persons, the scarcity of the good, and the divisibility of the good. Furthermore, limits imposed by time and space such as the durability, transportability, and the permanence of demand also influence the market's choice for the most marketable good. As a good reaches the most marketable status, individuals with good "A" realize that they can procure good "B" by trading good "A" for good "C", and "C" for "B". Even though they might not want to consume good "C" like they did in a barter economy, they realize they can use good "C" as a means to get good "B". As more individuals realize they can use good "C" as a tool to get what they want, its salability

skyrockets hence only a few goods, usually precious metals, compete for most marketable good status. In this way, Menger argues, do precious metals become money. Money originates from the market, not the state. Therefore, before money can exist under state control, money must be developed outside of the state, supplying proof for how money exists outside of the state.

A strong implication of Menger's explanation is that governments cannot create money as the free market does, a free market being a market free of forceful intervention. Both Menger and Von Mises point out that when the government chooses a certain media as the legal currency, they simply choose what the market has. (Mises, 70) It is ludicrous to propose that a government can simply establish some form of paper money, or even commodity money as a legitimate medium of exchange. Imagine, if you will, that the United States pushes through legislation making something other than the dollar money. Let's say they choose sofas. Suddenly furniture store owners become barons, and anyone trying to use old currency like the dollar is jailed, fined, or worse. In this extreme instance people would refuse, and probably be unable, to use sofas as currency. This is because the market has certain criterion, not for what makes the best money, but what makes one commodity over another better money. The important point is that the government cannot even force money into a market, unless it chooses the money the market has already chosen. In this way the state is put to great shame. Not only is it not the originator of money, it is not the real chooser of money. If it chooses wrong, the market will reject it. Would you say that the state really chooses money if it is only affirming the markets choice?

Since money originates from the free market and not a government decree, and the government can only affirm the market's choice of money, it is imperative that we understand how and why a government gets involved in money. To be sure, money can and does exist within the confines of the state. According to Hans-Hermann Hoppe, "There is no doubt that fiat money is *possible*. ... The question to be addressed... is rather *how* is a fiat money possible."

(49) There are three popular reasons that governments use to justify taking control of money, and there are four basic methods of doing this. Each reason and method will be considered individually.

Three of the most popular reasons for government involvement in money are stability, full employment, and simple government revenue. These all rest on the assumption that inflation can achieve these ends. Inflation is the "increase in the supply of money and credit." (Halzitt) There are two ways inflation occurs, the first is an increase supply of the commodity money is, and credit expansion. Credit expansion is "any increase in the supply of money *not* matched by an increase in the gold or silver stock available" (Rothbard A, 991). Thus credit expansion is an increase in money substitutes, paper money or any claim on real money, without an equal increase in real commodity money. To control inflation requires a control of money. How this occurs and the implications this has from both a free market perspective and a hampered market perspective will be discussed later. First, it must be understood why governments wish to control money and institute inflation.

The three reasons governments aim to control money, again, are stability, full employment, and revenue. The first reason governments sometimes cite as a justification for

taking control of money is to stabilize the general economy. Milton Friedman, a popular economist, is known for supporting government control of money to stabilize overall economic activity. "I have favored increasing the quantity of money at a steady rate designed to keep final product prices constant..." (Friedman, 47) This assertion calls for inflating the money supply, and presupposes that governments control money already. Thus Dr. Friedman supports not only government money, but also supports annual fixed inflation. This argument is an extension of Friedman's previous conclusion that "...lack of monetary accommodations always generated depressions." (Sennholz, 35) Thus, if there is always sufficient money, or monetary accommodations, depressions are eliminated. This is just one reason of many the government might cite as why it controls money.

The second reason for government involvement in money is the full employment doctrine. Keynes claims that through regulating the bank-rate (interest rate) and therefore the availability of credit, banks can raise and lower prices for factors of production, the most notable factor being labor. (Keynes, chapter 13) Furthermore, Keynes argues that government should control the bank rate (interest rate) to raise employment by increasing the supply of credit. (Keynes, chapter 33) By controlling the bank rate, Keynes insists governments can control credit, another form of inflation, and thus control wages, and influence supply and demand for labor. Indeed, "Inflation is nine-tenths of any full employment policy." (Halzitt) Thus through manipulating the money supply through government intervention, according to Keynes, it is possible to defeat unemployment.

The third and final reason for government's instituting money controls and inflation is not so altruistic. The third reason is that inflating the money supply is "because inflation is a powerful and subtle means for government acquisition of the public's resources, a painless and all the more dangerous form of taxation." (Rothbard B, 52) Rothbard argues that the government only does this as a desire to gain revenue. Essentially, Rothbard claims that other reasons for the government inflating the money supply are simply excuses for seeking money to achieve their political goals. All three of the reasons for the government controlling and inflating money have some problem with them. While the first two have economic problems with their observations, the last might be too simplistic. The first two justifications are aimed at some good and only misguided. The last, however, would be wholly unacceptable if any government admitted to this being the only reason for inflating.

Now that we know why governments control and inflate money, we can begin to look at exactly how governments do this. It is not an overnight process, or simple decree for a nation to use a certain currency. The state must recognize the market's previously chosen medium of exchange as money, or it will be rejected. There are four general methods or processes that a government might undertake to control money. They are: legalized falsifications, legal monopolies, legal tender laws, and legalized suspensions of payments. (Hulsmann B, 108) It should be noted that governments often institute most, if not all, of these methods.

States usually have to resort to monopolizing the mint, or source of money, to gain complete control of the money. The "first step... was to seize an absolute monopoly on the minting business." (Rothbard B, 58) In this way a government eliminates any competition for

the production of money. Furthermore, only with total control of the mint can the government take another important step and separate money from its actual claim value on a commodity. Thus establishing a money as a unit of itself, and separating it from its commodity value is essential for the next government step. This step is important because it would be impossible to inflate with other legal currency options. As soon as the inflation of the government's currency began, people would simply use another legal money. This is according to Gresham's Law, which states that artificially overvalued money (or non-inflated money) drives artificially undervalued money (or inflated money) out of circulation. (Rothbard B, 60) That is why the government must take absolute control via monopolizing the mint. When money is not simply specie and a government takes this step, they simply establish a central bank to "establish a monopoly of the note issue." (Rothbard B, 68) This is just one step in a process of the government controlling money.

The second method of any government gaining control of money is legal falsification. This happens both in more primitive economies that use minted metal coins as well as modern economies with fractional reserve notes. "Legalization can mean that the government declares a debased coin – or a fractional reserve banknote – to be means of payment that every creditor is legally obligated to accept..." (Hulsmann B, 109) When this process was applied to metal coins, the government would re-mint coins at a lighter weight, and keep the extra metal as "seigniorage." (Rothbard B, 59) A simple glance at history would allow one to see how often this happens, from the Roman republic, to the dinar. An important accompanying principle from the first step, is making money its own item, and estranging it from the commodity it is a promise for, such as gold or silver. It is easier for a government to inflate when the money no

longer means “so much gold”, but rather is a unit of its own accord. (Rothbard B, 61) Thus when a government debases, it is not as easily detected. Legal falsification can occur with money that is not coined. This takes place in the form of fractional reserve laws. Paper money is only a receipt for commodity money. Fractional reserve banking allows banks to not hold all of the commodity money they have promised in paper money. Therefore, banks can now give out more money than they actually have, since they do not have to hold all of the commodity they promise to hold. This is essentially legal counterfeiting, or creating false money at little or no cost. According to Rothbard “Counterfeiting is evidently but another name for inflation – both creating new ‘money’ that is not standard gold or silver.” (B, 52) For instance, if any other individual besides the government minted money and labeled it falsely would be imprisoned for counterfeiting. In this way is legal falsification not only crucial to controlling money, it is essential for artificially inflating it.

The third method employed by governments to control money is legal tender laws. Legal tender laws are merely an extension of the first method a government undertakes by monopolizing the mint. They are ‘closing the loopholes’ in the first step. Step one outlawed printing or minting new money. This step outlaws all previously minted and printed money. “Legal tender laws dictated what ‘that’ money could be.” (Rothbard B, 63) In this way governments enforce the use of the money they choose. As mentioned earlier, a government must affirm the market's choice if it wants the money to be used. Ludwig Von Mises points out that this is cheating society when a medium is chosen that is not the market's choice “When notes that are appraised commercially at only half their face value are proclaimed legal tender, this amounts fundamentally to the same thing as granting debtors legal relief from half their

liabilities.” (71) Thus, by sanctioning a certain medium of exchange as legal, a state has gained almost complete control of money.

The fourth and final method undertaken by governments is that of legalized suspension of payments. Murray Rothbard offers perhaps the best, succinct, explanation of this event. “While everyone else must pay their debts or go bankrupt, the banks are permitted to refuse redemption of their receipts, at the same time forcing their own debtors to pay when their loans fall due. The usual name for this is ‘suspension of specie payments.’ A more accurate name would be ‘license for theft;’ for what else can we call a government permission to continue in business without fulfilling one’s contracts?” (B, 66) This is how fractional reserve banking is born, banks are legally allowed to not hold one hundred percent of the gold or silver they have promised in the market in the form of notes. For example, let us say that a bank has one thousand ounces of gold in its stores. If it is respecting private property, it only has notes circulating whose total worth is one thousand ounces of gold. This process, however, allows the bank to put into circulation notes whose total value is perhaps ten thousand. This means that suddenly, those with specie in the bank now actually own one tenth of what they are entitled to own. This would not be such a great problem even in the free market, since this process would expose banks as unreliable. In conjunction with the legal tender laws however, it is impossible for market participants to choose other banks since only one money has been chosen. In the words of Guido Hulsmann, “this legal act transforms the banknotes from (false) money certificates into paper money.” (B, 156) Thus the final step in a governments journey to control and thus inflate the money supply is achieved.

If a government has undertaken every method, which is a frequent occurrence, they have full control of a money by legally monopolizing it, legally falsifying it, forcing only its monopoly money to be used as a result of legal tender laws, and finally allowing it to be severed from the commodity it is attached to as the result of the legal suspension of payments. Steps two and four are crucial to actually inflating the money, while steps one and three enforce its continued use. It is also common for a government to abolish the gold standard after all the other steps have been achieved. As inflation becomes an institutionalized part of a government, demand for gold, especially in the international market, increases. The result was the finally abandoning the gold standard, and abandoning any hope of a government using real money. (Rothbard B, 75)

Now that we understand both how and why a government inflates, we can look at the effects of such a policy. We see now how money is 'reigned in' by a government and how it now exists in a state. As stated before, there are some specific goals involved when a government monopolizes and inflates money. A review of effects of a policy of controlling money will now be undertaken. There is one primary effect of such a monopolization policy, and that is inflation. This is widely known, and looked on as a tool of a government to achieve various ends. The effects of institutionalized inflation, as will be seen, are always harmful. In addition, inflation only achieves one of its proposed goals.

The goals of government instituted inflation are full employment, stability, and revenue. The first, full employment, is well documented as erroneous as early as 1912 in Mises' *The Theory of Money and Credit*. Mises points out that the full employment doctrine usually

occurs in countries with a minimum wage law. Then, the resulting drop in unemployment is a result of the inflation raising the real wage rate and not the minimum legal wage rate. The result is the real wage rate being higher than the minimum wage rate, alleviating unemployment. The problem, then, is that of the minimum wage creating an artificial surplus. Inflation only succeeds in alleviating unemployment if there is a minimum wage. The real solution, therefore, is to abolish the minimum wage. (Mises, 425)

The second goal of government institutionalized inflation is to provide general economic stability. This line of thought, attributed to the monetarists and proposed by Friedman is dissected by economist Hans Sennholz. He argues quite simply that economies are inherently constantly changing as people economize or get more for less. Because of this, any search for stability is “futile” and “become disruptive and potentially harmful to the economic well being of society when they call upon government to apply its force and achieve the unattainable.” (37) Even a casual glance at modern or recent economic events are a testament to the falsehood of Friedman’s proposition. It is common knowledge that the United States government has been inflating regularly, and yet in 2008-9 the world saw a massive recession. In addition even if Friedman’s proposition is true, the negative effects of inflation will easily outweigh any stability it might theoretically provide.

The third justification for why governments inflate is that it does so to gain revenue. While it is unclear whether governments do this on purpose, since an official position such as this would cause massive unrest, it is clear that this is a result of government controlled inflation. Inflation, when operated by the state, offers a massive boon to the state. The nature

of inflation is such that those who spend the new money first gain the most from its creation. This is because the creator of the new money spends it before the market adjusts to the influx of money and raised prices, thus allowing the first comers, a government and those it subsidizes, an advantage over those who receive the money later in the market. (Rothbard B, 52-53) Therefore, whether a state realizes it or not, inflation controlled by the government does indeed give the government the potential for massive revenue. Thus inflation only achieves one of the goals that governments pose as justifications for its existence. Even then, the only one that does succeed is a justification that governments never admit to using.

Since we know the purported reasons for artificially inflating do not achieve their ends except for creating revenue, the next question to ask is what are the other repercussions of inflation? Since governments everywhere are inflating, and we know they are not achieving their explicit goals, it is only natural to wonder why governments keep inflating since it seems they only increase their revenues. If there are other effects of inflation, we should be aware of them to justify adding to the government's revenues. There are many results of inflation, the most notable being the rise of prices, the redistribution of wealth, the impairment of economic calculation, as well as supporting debt over thrift. (Rothbard B, 52-55) Finally, in the most extreme cases, inflation can lead to hyperinflation, which can destroy economies. It will be shown that none of these effects are beneficial to the economy as a whole, and tend to lead economies into major problems.

The first effect of inflation is the rise in prices. This is because of the law of marginal utility. As the money spreads into and throughout the economy and more people have

more money, they value each dollar less, which allows prices to be bid up. Although this effect of inflation is not inherently bad to an economy, it becomes an issue because the money doesn't suddenly appear equally to all members of the market, and results in the second effect of inflation, the redistribution of wealth.

The redistribution of wealth occurs as a result of the new money being injected into the economy. Since the money is created by the government controlling inflation, the government is able to spend the money before the prices rise as a result of the additional money. The government spends the money in the economy, and those who receive the money, whether businesses or individuals, also receive the benefit of the new money before prices rise. Those further away from the new money in the market's structure of production, therefore receive no benefit; in fact they receive punishment since by the time additional money reaches them prices have already risen. They have experienced the rise in prices before they received the new money. "Inflation, then, confers no social benefit; instead, it redistributes the wealth in favor of the first-comers and at the expense of the laggards in the race." (Rothbard B, 53) This introduces us to the ethics of inflation. Who is entitled to the profits of inflation will be discussed later. Government inflation does not reward those who successfully supply the market with what it wants, but rather those who are chosen by the instigator of inflator, the state. This disruption of wealth from successful producers cannot be stressed enough, since it changes incentive from production to political power. In this way does artificial inflation redistribute wealth and hurt an economy.

Another ill effect of inflation is its penchant to distort business calculation.

“Since prices do not all change uniformly and at the same speed, it becomes very difficult for business to...gauge truly the demands of consumers or the cost of operations.” (Rothbard B, 54)

Because of this, businesses that might be failing, or bankrupt, could be artificially sound because of inflation. This is because the new money will over exaggerate the profits of firms receiving benefits of the new money, when they after the prices settle, they could be bankrupt. Again, this effect causes a distortion in the market. It rewards those who succeed as a result of how a government chooses to spend its new money instead of those supplying the market with its demands efficiently. In this way can inflation distort business calculation and punish the economy, but only in drastic long term cases.

Inflation changes the markets incentives in another way, by encouraging debt over savings. If individuals are aware that money is constantly being inflated, they will prefer to pay off debts in future, less valuable money. “The incentive, then, is to borrow and repay later than to lend.” (Rothbard B, 55) This will hurt the general savings of an economy, which directly affects the accumulation of capital goods, which are essential in judging a countries standard of living. Since savings pay for maintaining and creating capital goods, as savings falls, so does the accumulation of capital goods. Thus, lower savings, lower capital good stocks, and finally a lower standard of living. Thus long term inflation changes market incentives which leads to a gradual lowering of the standard of living.

The final and most terrible effect of inflation is the mere prospect of hyperinflation. Hyperinflation occurs when inflation is occurring so rapidly people realize it is

more economical for them to spend whatever money they have immediately since holding onto it would significantly lower its value. (Rothbard B, 56) The results of hyperinflation are disastrous. Because savings is zero in a time such as this, production grinds to halt since savings provide the money for capital goods. The economy enters into a state of rapid capital consumption as people consume one hundred percent of their incomes in order to get rid of their money. Hyperinflation destroys the money structure since money in this state is no longer the most marketable good, but rather one of the least marketable goods in this situation. This can only continue if a government refuses to relinquish control. Because of legal tender laws and government monopoly on minting or printing money, it is difficult for the market to adopt new money, exacerbating the problem. In fact, "Hyperinflations have never occurred when a commodity served as money or when paper money was convertible into a commodity. The curse of hyperinflation has only reared its ugly head when the supply of money had no natural constraints and was governed by a discretionary paper money standard." (Hanke and Kwok, 353) A modern day example of hyperinflation is the case of Zimbabwe. Since the Zimbabwe reserve bank stopped reporting inflation numbers in August 2008, by comparing PPP and stock prices to discover the value of the Zimbabwe dollar, it can be seen that the Zimbabwe dollar's month over month inflation rate was near seventy nine billion percent in November 2008. (Hanke and Kwok) Zimbabwe is a modern case of how hyperinflation can destroy an economy and can hold a nation in poverty. As stated before, hyperinflation can only occur as the result of uncontrolled inflation, and a state's refusal to relax legal tender laws and money monopolization. This is the final and worst way in which inflation is harmful to an economy.

In these ways can inflation be a blight to economies everywhere and anytime. Long term inflation distorts market incentives and calculations, and can even destroy economies if left unchecked, as is the case with hyperinflation. It is clear from this review that inflation is not a beneficial result of a government controlling money, but rather a negative effect of this monopolization.

To be more specific on the topic of inflation and government inflation, it is important it is made clear what happens in an unhampered market when money inflates. Money can inflate without government involvement, but this process is very different than the government intervention method. In an unhampered market, money only inflates as the result of an increase in the commodity money it is based on. For instance, in a market that still has paper money based on gold, if more gold is discovered than, there is more money. Inflation's ill effects are slighted by two important facts. The first is any non-monetary desire for the commodity. The second, and far more important, is that "Every supply of money is always utilized to its maximum extent, and hence no social utility can be conferred by increasing the supply of money." (Rothbard A, 766) This is an economic law that gives credence to the fact that no good economic value comes from government's artificially inflating.

In an unhampered market, the market can allow for more or less money, whereas if a government artificially inflates, the effects are numerous and detrimental. How unhampered, natural inflation avoids the five bad results of inflation will be reviewed. It is true that natural inflation results in a rise in prices, as pointed out earlier however, this is not necessarily bad, except that it allows a truly bad result of inflation to occur. The second

repercussion of artificial inflation, the result of the first, is a redistribution of wealth. Natural inflation does do this, but is ethical since the producers of the commodity are entitled to the profit gained. It is also less economically disturbing since commodities chosen as money are almost always rare, like gold. In an unhampered market, remember, there is no law forcing individuals to use certain money, so if suddenly the money starts inflating rapidly, the market can switch to a more stable commodity for money. Thus, assuming money in an unhampered market cannot inflate quickly or drastically, because of the free choice of what money is, the final three results of government instituted inflation (distorted business calculation, changed market incentives, and hyperinflation) do not occur in natural inflation. It is important to note that a government's control of money, especially in legal tender laws, is why markets cannot self-correct and dodge the worse results of inflation. In this way has inflation become a word of which people are generally frightened. Yes, inflation generally has negative long term effects, however, only when governments monopolize money and refuse the market to freely avoid these negative results is it truly destructive to an economy. In these important ways natural inflation is not harmful to an economy, like government controlled inflation.

The only true alternative of government controlled money is allowing money to develop and operate without any government stipulations. In this existence, the freedom of money allows markets to choose how much money is in circulation, what that money is, and even if there are multiple media of exchange. To reiterate, only through forceful intervention in an economy does inflation become harmful. Thus, from a utilitarian standpoint, allowing complete monetary freedom is the best choice.

Inflation and its alternative, allowing the free market to decide the markets supply of money, have been viewed from the perspective of their utility to the market. Allowing the free market to manage money, even in the case of natural inflation, is clearly more beneficial. So far, neither state inflation nor private money production have been viewed by the light of ethics. With economics, the primary ethic to observe is that of private property. Respecting this ethic is the only foundational ethic for economics that does not contradict itself, and is an important ethic to observe in all economic decisions. (Hulsmann A, 41) Each view, government controlled inflation and the free market will be brought to light by this principle.

Government controlled money violates the private property ethic on many counts. To better view this, a summary of how each step or method the government uses to control money violates the private property ethic will be given. The first step, monopolizing the mint, is a clear violation of the private property principle. To forbid all but one individual or business the ability to either print money or mint coins is to say they are not allowed to use their property as they wish. The second step, or legalized falsification, is another violation. This step allows the mint, usually by this point a government; to claim that one ounce of gold can also equal three-fourths an ounce of gold thereby cheating the whole ounce owner out of property. The next method, or legal tender laws, forbids individuals from using certain commodities as money, or forbidding them to use their property as they wish, another violation of the private property ethic. The final step, legal suspension of payments, is to cheat people out of their claim on property. When it is legal for banks to not pay owners of property their property for claim receipts, this is theft. In these ways, money controlled by government, and the resulting government inflation, violates private property ethic at every step taken to control money.

Allowing the free market to decide the amount of money in circulation, the alternative to government mandated inflation, does not violate the private property ethic by definition. A free market is one unhampered by forceful restrictions by a state or any other organization on private property. Thus by allowing the free market to control money is the only ethical way to allow money to exist. The allowance of any step by the government to control money is a violation of this principle.

Considering the negative effects of state inflation as well as the ethical violations it contains, serious consideration should be given to such a practice. It has been shown that not only is every effect of government instituted inflation a detriment to an economy, but that every step taken to control money by a state violates individual property rights. The alternative, allowing the free market to decide what money is and how much exists, has been shown to not only to be superior in terms of utility, but also the most ethical choice. Given that state controlled inflation pales in comparison to the free market, it should be concluded that this is not a beneficial policy, nor an ethical one. Instead, a state should recognize the best way to manage money is not to monopolize and inflate it, but rather to allow the unhampered market to decide what money is and how much should exist, through the process of natural inflation. Thus, the second crucial consideration on money has been observed. Not only can money exist outside of the state, but it should exist outside of the state.

In conclusion, money is only created outside of the state. It can only come under the state's control by invasive progressive legislation, a process by which the state recognizes that it did not create or originate money. Furthermore, given the effects of government controlled

money, artificial inflation, and the ethical standards it violates, money controlled by a government is harmful and wrong. Money should be left outside the state to maximize its potential usefulness and to maintain a private property ethic.

Given the current climate in contemporary economics, propositions such as this are mostly considered backwards, old fashioned, and perhaps a bit crazy. There are, however, propositions to return to an ethical, sound money. In his massive work, *Money, Bank Credit, and Economic Cycles*, Jesus Huerta de Soto compiles the proposals of Von Mises, Rothbard, Hayek, the Chicago School, and Allais to restore some semblance of the one hundred percent reserve banking. (De Soto, ch 9.1) Each proposal is slightly different, some conserving the central bank, others abolishing it, some requiring by law a full reserve of commodity money, and others forcing gold to be the standard medium of exchange. Each proposal, however, points towards moving in a direction to curb the government's ability to inflate the money supply, or even choose money. De Soto supplies his own proposal, which promotes freedom of choice in currency, free banking by abolishing the central bank, and enforcing a one hundred percent reserve requirement. (De Soto ch 9.2) All of these would be established to allow the free market to maintain the most efficient money supply, as well as being the most ethical system of money.

To conclude, money can exist outside of the state. In fact, it originates outside of the state. Governments only take control of money as the result of a process which violates private property every step of the way. Furthermore, given the negative results of government inflation, a utilitarian concern for the government controlling money should be raised.

Combined with the lack of respect for private property states show when controlling money, money should emphatically not exist within the confines of the state. The only ethical way for money to exist is one where the free market decides what money is, as well as how much of it exists. In these ways are the very characteristics of money, both ethical and utilitarian, indicative of how money should exist in markets around the world.

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