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The Many Names for Money Creation

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According to the teachings of the Greek philosopher Parmenides, language illustrates human thinking (and reasoning); confused language is thus tantamount to confused thinking; confused thinking, in turn, provokes unintended acts and undesired outcomes.

"Doublespeak"—a term that rose to prominence through the work of Eric Blair (1903–1950), more famously known as George Orwell—is a conspicuous form of confused language and thought. The term doublespeak was actually derived from the terms "newspeak" and "doublethink," which Orwell used in his novel *Nineteen Eighty-Four*, published in 1949.

A euphemism is a form of doublespeak: it is a rhetorical device used sometimes intentionally and sometimes unintentionally—a linguistic palliation, amounting to a distortion of the truth—in many cases applied to avoid offending people. In real life, euphemisms can be used by some to try and legitimize actions that run counter to the interests of others. In that sense, euphemisms are a "manipulation of language" and a "manipulation through language."

Euphemisms in the Wake of the Credit Crisis

Since the outbreak of the so-called international-credit-market crisis, euphemisms have risen to great prominence. This holds true in particular for monetary-policy experts, who are at great pains to advertise a variety of policy measures as being in the interest of the greater good, because they are supposed to "fight" the credit crisis. Consider the following examples.

The expression "unconventional monetary policy" casts central-bank action in a rather favorable light. The adjective "conventional" stands for "hereditary" and "outdated," while unconventional might suggest something along the lines of "courageous" and "innovative" action.

Using the expression "aggressive monetary policy" works in the same way. It often refers to, for example, a drastic cut in official interest rates toward record low levels, or a strong increase in the base money supply in light of an approaching recession, conveying the notion that policy makers take "bold" and "daring" action for the greater good.

The term "quantitative easing" makes it increasingly difficult, even impossible (for the public at large), to see through what such a monetary policy really is—namely, a policy of increasing the money supply (out of thin air), which, in turn, is equal to a monetary policy of inflation.

Talking about a "low-rate monetary policy" glosses over the fact that monetary policy pushes the market rate of interest below the natural rate of interest (the societal time-preference rate), thereby necessarily causing malinvestment rather than ushering in an economic recovery.

Speaking of "neutralizing the increase in base money" is clearly misleading, as a rise in the money stock is never, and can never be, neutral. It is necessarily accompanied by redistributive effects—irrespective of whether the receivers of the injection of additional money (which was created out of thin air) hold these balances as "excess reserves" or in the form of, say, time deposits.

Referring to "ample liquidity" (as a contributing factor to the "credit crisis") tends to cover up the fact that central banks have inflated the money supply (through bank-circulation credit expansion). The term "liquidity" tends to disguise the fact that unfavorable monetary conditions are a result of central-bank action.

A good example of a recent euphemism in the field of monetary policy was the announcement by the Governing Council of the European Central Bank (ECB) on May 10, 2010. It said it would: "conduct interventions in the euro area public and private debt securities markets (Securities Markets Programme) to ensure depth and liquidity in those market segments which are dysfunctional. The objective of this programme is to address the malfunctioning of securities markets and restore an appropriate monetary policy transmission mechanism."

Such a monetary policy can be seen as subsidizing the bond prices of some government issuers in the euro area—namely, those that are increasingly viewed as unsound by investors—thereby favoring some issuers (and investors holding their bonds) at the expense of others.

Such a policy will actually amount to something like a minimum-price policy for the bonds of certain government issuers if and when the central bank makes purchases that keep certain bond prices above levels that would otherwise have prevailed.

Confused Language, Undesired Results

With monetary-policy experts making increased use of confused language, the corrective counterforces against a damaging monetary policy are greatly diminished. This is because confused

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language—and its result, confused thinking—makes it increasingly difficult for the public to understand the medium- to long-term consequences of policy measures; and that knowledge is clearly needed to resist damaging policies.

Perpetual use of confused language may result in social outcomes that few actually intended. Consider the case of an ever-greater expansion of government. The reason that the state apparatus keeps growing at the expense of the private sector is in large part the government's acquisition of full control over money production. Holding the money-supply monopoly, government can increase the supply through credit expansion without any real savings supporting it.

With fiat money, government can and does increase its spending well beyond the amount taxpayers are prepared to hand over to the state. As a result, more and more people become dependent on government spending (some voluntarily so) whether as civil servants, government contractors, or recipients of state-run pensions, health insurance, education, and security.

Sooner or later the dependence of the people on government handouts reaches, and then surpasses, a critical level. People will then view a monetary policy of ever-greater increases in the money supply as being more favorable than government defaulting on its debt, which would wipe out any hope of receiving benefits from government in the future. In other words, a policy of inflation, even hyperinflation, will be seen as the policy of lesser evil.

Thanks to the doublespeak of monetary-policy experts, the launch of monetary policy leading to high inflation may not be discernible by the public at large. A monetary policy can thus be unleashed that the public would presumably not agree to if it were informed of the medium- and long-term consequences.

As a result, there is strong reason to fear that confused, Orwellian language and the confused thought it produces pave the way to high inflation. FM

The New Deal and Prohibition

Albert Jay Nock

Albert Jay Nock (October 13, 1870–August 19, 1945) was an influential American libertarian author, educational theorist, and social critic of the early and middle 20th century. Murray Rothbard was deeply influenced by him, and so was the whole generation of free-market thinkers of the 1950s.
This article appeared in American Mercury, *March 1936.*

I believe that when the historian looks back on the last 20 years of American life, the thing that will puzzle him most is the amount of self-inflicted punishment that Americans seem able to stand. They take it squarely on the chin at the slightest provocation and do not even wait for the count before they are back for more.

True, they have always been good at it. For instance, once upon a time they were comparatively a free people, regulating a large portion of their lives to suit themselves. They had a great deal of freedom as compared with other peoples of the world.

But apparently they could not rest until they threw their freedom away. They made a present of it to their own politicians, who have made them sweat for their gullibility ever since. They put their liberties in the hands of a praetorian guard made up exactly on the old Roman model, and not only never got them back, but as long as that praetorian guard of professional politicians lives and thrives—which will be quite a while if its numbers keep on increasing at the present rate—they never will.

But though Americans have always known how to make the old-time Flagellants look like amateurs at the business of scourging themselves, it is only in the last 20 years that they have really shown what they can do. The plagues of Egypt, the flies, frogs, hail, locusts, murrain, boils, and blains are as nothing by comparison with the curses they have brought down on themselves in that time, all of their own free will and accord. They diddled themselves into a war to make the world safe for democracy—and look at democracy now!

They took on the war debts and financed the "reconstruction" of Europe—and now they are holding the bag. They fell for the "new economics" of blessed memory and took a handsome fling at jazz-and-paper in the 1920s. They went in strong for Prohibition; and then, even before they came out from under that nightmare, they threw themselves body and soul into the fantastic imbecilities of the New Deal.

I think, for instance, that no one has adequately remarked the ease and naturalness of the transition from Prohibition to the New Deal. Someone may have done it, but if so it has escaped me. There is a complete parallel between them. They are alike in their inception. They are alike in their professed intention. As for their fundamental principle, they are so far alike that the one is a mere expansion of the other. They are alike in respect of the quality of the people who support them, alike in respect of the kind of apologists they attract to their service, and, finally, they are alike in their effect upon the spirit and character of the nation.

Alike in their origin, both were brought about by a coup d'état, the work of a determined minority at a time when the country was writhing in one of its recurrent spasms of discreditable and senseless funk—or, I should rather say, when it had passed beyond its norm of imbecile apathy and gone into the stage of vociferous idiocy. Not long ago I had a letter from a French friend who remarked that "*quand les Américains se mettent à être nerveux, ils dépassent tout commentaire*" (When Americans start getting nervous, they are beyond words) which is indeed true, so I imagine that what I have just said is perhaps the best one can do by way of describing the country's state of mind.

Prohibition came when we were "making a business of being nervous" about the great cause of righteousness that we were defending against the furious Goth and fiery Hun. The New Deal came when we were making a business of being nervous about the depression; that is, nervous about having to pay collectively the due and just penalty of our collective ignorance, carelessness, and culpable greed.

Prohibition and the New Deal are alike in their professed intention, if one may put it so, to "do us for our own good." Both assumed the guise of disinterested benevolence towards the body politic. In the one case we were adjudged incapable of setting up an adequate social defense against the seductions of vicious rum-sellers; in the other, of defending ourselves against injuries wrought by malefactors of great wealth; therefore the State would obligingly come forward and take the job off our hands.

In the case of Prohibition we can now see what those professions amounted to, and we are beginning to see what they amount to in the case of the New Deal; and in either case we see nothing but what we might have seen at the outset—and what some of us did see—by a brief glance at the kind of people engaged in promoting both these nostrums, and a briefer glance at their record. We see now that the promotion of Prohibition was purely professional, and there is nothing to prevent our seeing that so was the promotion of the New Deal.

In 1932, the local politicians and the political hangers-on who together make up the "machine"—and of whom there are more in America than there were lice in Egypt in Moses's day—saw a great starving time ahead of them, and when the New Deal was broached, they fell upon it with yells of joy, as one who comes upon an oasis of date palms in a trackless desert. Their dearth was miraculously turned into plenty. Faced with a dead stoppage of their machine from lack of money to keep it going, they suddenly found themselves with more money in their hands than they had ever imagined there was in the world.

Prohibition and the New Deal are alike in their fundamental principle, which is the principle of coercion. Prohibition proposed to make the nation sober by *force majeure*, and incidentally to charge a thundering brokerage for doing the job. It said to us, "This is all for your own good, and you ought to fall in line cheerfully, but if you do not fall in, we will make you."

The New Deal proposes a redistribution of wealth and is charging a brokerage that makes the Janissaries of the Anti-Saloon League look like pickpockets at a county fair. The national headquarters of the New Deal has a slush fund of something over $4 billion to blow in between now and next November [1937], and about 700,000 devoted heelers on the job of seeing that it is spent where it will bring the best results. All this, we are told, is for our own good, and we ought to appreciate it, but whether we appreciate it or not, we must take it.

The two enterprises are alike also in respect of the quality of the people who support it. There are some statistics available on this. About four years ago—in November 1931, to be exact—Mr. Henry L. Mencken published in this magazine the results of an elaborate statistical study that he had been making, in collaboration with Mr. Charles Angoff, in order to determine the relative cultural standing of the 48 states. He tabulated his findings in the form of a list of the states, arranged in the order of their approach to civilization, and he has stated publicly that his table has never been successfully challenged.

In 1932 Mr. Mencken compared his table with the returns of the *Literary Digest*'s poll on Prohibition, and found that they fitted precisely. Nearly all the states that turned in heavy majorities against Prohibition stood high on his table, and nearly all that supported it stood low. In the *Baltimore Evening Sun* of January 13, 1936, he made a similar comparison with the *Digest*'s poll on the New Deal, and got a similar result. The more nearly civilized states are against it, and the more uncivilized states are for it.

As for its moral effect upon the nation, the New Deal simply carries on Prohibition's work of making corruption and hypocrisy respectable. Both enterprises are bureaucratic, both are coercive, and, as Mr. Jefferson said, the moral effect of coercion is "to make one-half the world fools, and the other half hypocrites; to support roguery and error all over the earth."

And what has Prohibition had to show by way of offset? Simply nothing. What has the New Deal to show, so far? Can anybody point to a single one of its policies that has really worked? I know of none. No recovery in business is due to it. It has as many unemployed on its hands as it ever had and as many derelicts. Its agricultural policy is said to have worked, but, as the Supreme Court observed, that simply amounted to the expropriation of money from one group for the benefit of another. In other words, it amounted to larceny, and official larceny always works. The unofficial practitioners of that art who are now in Sing Sing were simply at a disadvantage.

Prohibition and the New Deal, in short, breed straight back to the incredible appetite of the American people for self-inflicted punishment. One wonders how long they can take it and how hard; and above all, one wonders, when the New Deal has gone the way of Prohibition, what more dismal and depraving form of self-torture they will turn to next. FM

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