

*Exploring alternatives to central banking at the 32nd Annual Monetary Conference*

## Toward Free-Market Money

**W**hen the Federal Reserve was created in 1913, its powers were limited and the United States was still on the gold standard. Today the Fed has virtually unlimited power and the dollar has no backing. Limited, constitutional government requires a rules-based, free-market monetary system with a stable-valued dollar. “For this reason,” F. A. Hayek wrote in 1960, “all those who wish to stop the drift toward increasing government control should concentrate their effort on monetary policy.”

To that end, the Cato Institute has launched the Center for Monetary and Financial Alternatives. By leveraging the Institute’s reputation for objective research and sound analysis, the Center will make a comprehensive economic, political, and philosophical case for reform by exploring alternative monetary arrangements. “We’ve assembled a group of scholars who will challenge the Federal Reserve in a way it hasn’t been challenged in 100 years,” Cato president John Allison says. Ultimately, the goal is to build the intellectual foundation for a free-market banking system.

In November, following the announcement of the Center, the Institute held its 32nd Annual Monetary Conference, bringing together leading scholars and advocates for reform in order to examine the case for sound money. The event was directed, as always, by Cato vice president for monetary studies, James A. Dorn.

In his keynote address, James Grant, the founder and editor of *Grant’s Interest Rate Observer*, declared that the need for sound money is clear and urgent. “Money is as old as the hills, and credit—the promise to pay money—is as old as trust,” he said. “Yet we still search for an answer.” Grant went on to explain that the notion of sound money is neither clear nor urgent to those who own so much of the other kind.



ABOVE: PATRICK M. BYRNE, CEO of Overstock.com, spoke to a full crowd in the F. A. Hayek auditorium, delving into everything from cryptocurrencies to block chain-based stock markets. BELOW, FROM LEFT: The conference featured a lineup of leading scholars, including GEORGE SELGIN of the Cato Institute, JUDY SHELTON of the Atlas Network, and JAMES GRANT of *Grant’s Interest Rate Observer*.

“I will count us victorious when the name of the chairman of the Federal Reserve Board is just as obscure as that of the chairman of the Weights and Measures Division of the Department of Commerce,” he said. “Come to think of it, the monetary millennium will arrive when the dollar reverts to a tangible weight or measure.”

Throughout the day, panelists discussed a wide range of topics—from the bitcoin revolution and the future of cryptocurrencies to the role of gold in a decentralized monetary regime—before considering the path toward fundamental reform. Judy Shelton, codirector of the Atlas Network’s Sound Money Project, explained that money is supposed to be a tool for measuring value, not a means for implementing economic and social policy. “This monetary anti-system we have today is anathema to free trade, to the ideals of Bretton Woods,” she said. “If America still believes in the power of free markets and the potential of free people, we need to fix what broke.”

Gerald P. O’Driscoll Jr., senior fellow at the Cato Institute, proposed the formation of a

committee for monetary reform. “To get from talk to action, I propose that those committed to actual monetary reform plan to meet regularly,” he said, “not to discuss current policy but to devise a concrete plan for monetary reform.” Norbert Michel, research fellow at the Heritage Foundation, offered several near-term solutions—including reversing quantitative easing and removing the Fed’s regulatory role—that would complement any structural changes that came about.

In his luncheon address, Patrick Byrne, the CEO and chairman of Overstock.com, said that the vulnerabilities of the current system stem in part from the vulnerabilities of regulators. “They can be captured by the very same people they’re supposed to go after,” he said. Yet the intellectual climate has never been more open to a critical analysis of existing institutions, both here and abroad. ■

**EACH OF THE PRESENTATIONS FROM THE 32ND ANNUAL MONETARY CONFERENCE CAN BE VIEWED ONLINE AT [WWW.CATO.ORG/EVENTS/ARCHIVES](http://WWW.CATO.ORG/EVENTS/ARCHIVES).**