

## **Government Failure**

Justin Jefferson, NSW lawyer, writes in "The Land":

"People blaming the current financial crisis on the 'free market' are displaying a failure to understand the issues.

Capitalism means the private ownership and control of the means of production. By definition, government monopoly control of the money supply is not capitalist. Government control of interest rates is not capitalist. Government cartelization of the banking industry is not capitalist. Government policies to encourage borrowing are not capitalist. Government taking money from all of society to pay for hand-outs to home-buyers, is not capitalist.

The current crisis shows precisely the reasons why free market economics oppose such monetary policies. Though they are intended to replace capitalism with a better and fairer system, they always involve plundering the population to pay for privileges for political favourites of the right or left wing. Government's expansion of money and credit causes inflation, and economic miscalculation on a massive scale: 'bubbles'. But really government cannot generate wealth from nothing - it can only consume or redistribute wealth that people produce by work or savings.

Although everyone decries the bust, the damage is done during the boom, when monetary policy induces vast system-wide malinvestments. In the process known as the bust, it falls to ordinary people to experience the hardships of washing out these massive malinvestments and re-allocating capital to productive uses; while politicians carry on their Santa Claus act using public money to bail out political favourites."