Set Money Free
Guest: Chris Rossini
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Chris Rossini is the author of [Set Money Free: What Every American Needs to Know About the Federal Reserve](#).

WOODS: Your new book *Set Money Free*: why this book, and why now? You could say we have books on the Fed. We have books on money. What's special about this one?

ROSSINI: My goal with this book was to make a book that was extremely easy to read, and could be comprehended by just about anyone. There are many books on the Fed, wonderful books, scholarly books. One of my favorites, and one of my other heroes, is Murray Rothbard, who has written extensively. However, those books can be intimidating for the average person, and my goal was to make a book that would mimic as if he were speaking to me in my living room or at my kitchen table. I wouldn't respond in a scholarly way; I would speak in plain English. And hopefully I achieve that goal. I am very pleased with the product so far.

WOODS: Well, it doesn't hurt to have a foreword by Ron Paul, of course, as I can attest from personal experience. His endorsement does mean something. So that's very good that you have that. What impresses me the most about the book is that it's systematic, and its organization—that you begin, as would be sensible, with money—what money is and how it emerges—and then slowly but surely you build up to the Fed, what it does, who benefits from it, what the problems of it are, moral hazard, inflation, booms and busts, and then at the end you talk about the return of free-market money and then the ideas that will need to be current in society in order for all this to be successful. This, I think, is the key contribution. The table of contents is very detailed because it includes every section. I want to read for people just the headings From chapter 8: "How Does Congress Benefit From the Fed?" "How Does the President Benefit From the Fed?" "What is the Fed's Role in the Creation of the Warfare State?" "What is the Fed's Role in the Creation of the Welfare State?" "What Does 'Guns and Butter' Mean?"—Ron Paul used that phrase quite a bit—"Is the Fed Independent of Government?" "How do Academics Benefit from the Fed?" "How Do Crony Corporations Benefit From the Fed?" "How Do Wall Street's Primary Dealers Benefit from the Fed?" "Does the Fed Earn Interest on Its Holdings of U.S. Treasury Bonds?" "Why is the Fed the Heart of the Federal Government?" Just that alone is information that I think a lot of people who are opposed to the Fed wish they had a better command of.

ROSSINI: Well, thank you very much. That's quite a compliment. Yes, my goal was twofold. One, to make sort of a directory, and as you just alluded to, it's a lot of questions and answers, and that's throughout the entire book. So I wanted to make a directory of questions that if you're ever in a squabble with one of our intellectual opponents, that you could refer to the book quickly, go to the right section, find the right question, and get a concise answer to it. So that was one of the goals because we live in a quick, Twitter, Facebook society that this book can be consumed in a bite-size way. The other overarching goal was to tell a story at the same time, and like you pointed out, I start right at the very beginning talking about money, and I go through the history, but not boring history. I try to make it interesting and easy to understand. I don't go off into tangents, you know, about stuff that you could care less about, and I focus a lot on ideas, because ideas rule the world, as von Mises pointed out, and if we're going to win this fight, it's going to be because many of the hearts and minds of our fellow citizens have been changed to accept and believe in better ideas.

WOODS: Chris, I'm putting together a new book of my own. I have a section on the Fed in this new book, and as I was looking back on it, I realized that although I'm bringing together a lot of pieces I have written on the Fed over the years, in no one of these pieces do I explain what the Fed actually is. I'm writing for audiences that already know all about the Fed. So I realized in retrospect, I guess, now I'm going to have to put in some little bit of explanation. I'm sure some of the people who listen to this program, who already know what the Fed is, will read it, but there are people who get into these things all the time, and we're already using a lingo that they can't quite get into yet because they haven't been introduced to it. So I want to ask you. Let's start from the beginning, not talking about the evolution of money, but instead, just what is the Fed? What is it supposed to do?

ROSSINI: Well, what it was originally supposed to do, and what it turned into, are two very different things. But to cut to the chase, the Fed has a monopoly on the creation of U.S. dollars, and we are forced by law to accept those dollars no matter how many they decide to create. They create as many as suits their goals, whether it be to finance the unbelievably huge warfare state that sprawls over the earth, or to finance the unbelievably huge welfare state that has consumed the American public, as we've heard these statistics that more people are now on the dole than are actually working. So the Fed is basically big government's piggy bank. Big government no longer has to fight to get its money. Now it can just turn to its printing press and whatever it wants it can finance. A case can be made that this is unlimited power, with an organization like government which has a monopoly on the use of aggressive force and finance whatever it wants. That is such a dangerous situation, and we're seeing the fruits now 100 years later of what having that kind of setup produces, and it's not pretty, as we see.

WOODS: But maybe this is just a lot of paranoia. After all, the federal government is only trying to improve the general welfare and protect us against bad guys abroad, and if it didn't have this institution, it would be much more difficult for it to carry out the common good.

ROSSINI: Well— (laughs)

WOODS: (laughs)

ROSSINI: We both know that that's not the case, and we can go into many different areas, but I do want to point to one area, when it comes to foreign policy, and that is the Ron Paul Institute for Peace and Prosperity. If you believe that the government is looking out for, or protecting our freedoms, or whatever you've been told, please visit RonPaulInstitute.org. Daniel McAdams runs that, and I do want to point as an aside that you can indirectly help make a donation to the Ron Paul Institute just by buying my book. I am donating 10% of every single sale to the Ron Paul Institute. That's how strongly I believe in what they are doing over there. Government is far from looking out for our best interests, if anything, creating many, many more problems than we would have without its foreign adventures.

WOODS: Part nine of your book is called "The Fed Institutionalizes Moral Hazard." Now, again, I think moral hazard is a term with which many listeners will be familiar, but it couldn't hurt to review the relationship between the Fed and moral hazard.

ROSSINI: Yes, the example I use in the book is, let's picture a busted gambler who goes into a casino, runs through all of his money, is broke, and then comes out and speaks to his wealthy grandmother who then loans him more money, which he then takes to the casino, blows through it, comes out again, and because she has a kind heart, she gives him even more money. Basically she's his backstop. Now, it's her money to lose. It's her property. That's fine. If she's foolish enough to act as a backstop, then it'll hurt her economically. The Federal Reserve, on the other hand, works differently. It finances Wall Street big banks, big corporations, by acting as their backstop. If there is a problem, and we saw it in 2008, the Federal Reserve comes in and bails them out. That is messing with all of our money, because every time they create even one dollar it dilutes the value of what's in our pocket. It dilutes the value of what you earn hourly. If you think you're going to work every day for $15 an hour, you'd better think again, because the Federal Reserve is diluting money that you're making. The other side of the coin of that is that Wall Street and the banks can make whatever risky bets they want. And if they profit, they are superheroes, no big deal, but if they fail, we all pick up the tab for them. That's a completely dishonest system that should not exist, and that is the definition of moral hazard.

WOODS: All right, let's jump ahead because, again, I just love all these little headings that you have under the chapter titles in the table of contents. They're everything somebody coming to this from ground zero, so to speak, would want to know: "Who Is to Blame for Inflation?" "Is the Fed an Inflation Fighter?" "What Should the Money Supply Be?" "What are Inflation Doves and Hawks?" "What Does Easy and Tight Monetary Policy Mean?" "Does the Fed Really Create Money Out of Thin Air?" "Does the Fed Actually Print Money?" "What is the Consumer Price

Index?" "What Does Core Inflation Mean?" "Don't Economies Sometimes Overheat?" "What Does Stagflation Mean?" "What Does the Fed's Inflation Target Mean?" "What is Deflation?" "Why Are Government and the Fed Terrified of Deflation?" "Should Businesses Fear It?" "Should Consumers Fear It?" "Is There Such a Thing as the Price Level?" "What Does Price Stability Mean?"

And this is covered in 17 pages. I don't think I've ever seen an achievement like that with these topics.

Talk to us about the Fed as the source of inflation—and by inflation, what do we mean?

ROSSINI: Okay, well, as I pointed out earlier, the Fed has a monopoly on those dollars that we hold in our wallet, and it creates, if the need be, for government to finance one of its many crazy ideas, as much money as it wants. I would make an analogy like this. Picture you have a Mickey Mantle baseball card, rookie card, and you're holding onto it because you believe that the exchange value of this card is going to be suitable for you, and maybe you'd want to pay for your kids college education or whatever, and its value exchange value is high because of its rarity. And if one day you wake up, turn on the news, and the news says that they found a million other copies buried somewhere that the card manufacturer printed up, you would instantly know without thinking, oh, my goodness, my card has lost a lot of value.

The same principle applies to our money. When government creates billions and trillions and millions, it's affecting the purchasing power of the dollars that we have. So it is the cause of inflation, not the greedy businessman who is forced to raise prices, or animal spirits, or the million other excuses that are made by government's mouthpieces to try to hide this, and they will villainize. They are already in the process right now, for people who are paying attention, of denying that inflation exists. They are really hitting it hard these days that your bills are just an illusion. If government says that it's 2-3%, then that's what it is, and you just shut up and accept that. The fact that your bills are saying otherwise and my bills are saying otherwise are constantly being ratcheted up. And you're the problem; you're the crazy one. That's the type of propaganda that we're up against. They want to hide the fact that the single source of inflation is the Federal Reserve, and it's our job—myself, yourself, and many others like us—to spread the idea that no, the finger gets pointed at the Federal Reserve since it is the sole creator of the U.S. dollar.

WOODS: Now, you address in here an argument that I have also addressed in *Meltdown*, that sometimes people will say that such and such price, like the price of oil or something, goes up, and that's an important input in the whole economy, and therefore that pushes all the other prices up, so it's not the Fed's fault. You take care of that in section 10.

Now section 11 of your book is on economic booms and busts, and we've covered that quite a bit on this show. I think a lot of people understand here the Austrian theory of the business cycle. If not, you can google the terms Tom Woods Show David Howden, and we did a whole episode talking about this. I probably should have Roger Garrison on to talk about it further. But let’s move ahead to your claim in section 12 that the Fed is an obstacle to recovery. Now, you realize this is quite a contrarian pose you’ve adopted here—what would the conventional wisdom be about the relationship between the Fed and recovery?

ROSSINI: Well, the Fed is—no matter how much damage it causes, they are always the saviors. Even if they don’t save a darn thing, they are still looked upon as saviors, and I quote, I use many quotes, but I quote Ron Paul in it. Now, they create one problem after another, and people still run to them for answers. It’s almost the same thing in the foreign policy sphere: no matter how much damage the empire has caused, the neocons are still on television. They are still asking them their opinions as if we don’t even know their opinions about what will work.

WOODS: It’s one thing to say the Fed actually doesn’t bring about recovery, but does it actually hinder recovery? And if so, how?

ROSSINI: Yes, those, as you pointed out, that understand the Austrian business cycle theory understand that the boom is caused by artificially suppressed interest rates, which causes malinvestments in the economy. Loans that should not be made are made. Houses that should not be built are built. Skyscrapers, supermarkets—it all happens. In a market economy, the brakes would be put on. The market would say no to these things, but the Fed creates a kaleidoscope economy where people believe that the good times are actually the good times when, actually, that’s when the damage is being done, and the recession with a bust is when those investments that should not be made should be liquidated so that the assets and the resources move into better hands. The Fed steps in and prevents that from happening. They create more money. They try to perpetuate a disastrous situation, and they have succeeded in doing so, and all they have done is twisted and twisted the economy into a tighter and tighter Gordian knot. Someday it’s going to give.

WOODS: Chris, suppose somebody said to you: it’s very easy to sit around and complain, Rossini, but it’s a lot harder to come up with an alternative. So do you have an alternative?

ROSSINI: The alternative, yes, is to stop doing the wrong. That would be step number one. Step number two, well, to be more specific, there should be competition in currencies just as there are competition in sneakers and every other good in society, or most other goods the government hasn’t touched. There should be no legal-tender laws, which force us to use a single currency. There should be no capital gains taxes on gold and silver. If people want to use those as money, as has been the case for thousands of years, then that should occur. How everything would play out, I am no smarter than anyone else to be able to map out, and I don’t believe that there is a map to make it happen other than to set free any restrictions that government has placed on society’s choosing whatever monetary unit it decides to choose.