

Intervención del profesor
Huerta de Soto publicado
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Our guest for today's Important Voices interview is Jesus Huerta de Soto. Prof. Huerta de Soto is an Austrian School economist and Professor of Political Economy at Rey Juan Carlos University of Madrid, Spain. In 2005 Huerta de Soto received the CNE's Adam Smith Award for lifetime achievement, and in 2009 he was awarded a honorary Ph.D. degree from Universidad Francisco Marroquin.

Josiah Schmidt: How did you come to hold such a liberty-oriented philosophy?

Jesus Huerta de Soto: By mere coincidence I found, bought and read Ludwig von Mises's treatise *Human Action* when I was 16 years old. Since then I have been a libertarian.

Josiah Schmidt: In short, how did the US Federal Reserve cause the current economic crisis?

Jesus Huerta de Soto: It orchestrated a huge artificial credit expansion at very low interest rates causing entrepreneurs to systematically malinvest a large amount of scarce resources in nonviable lines of production (mainly related with real-estate business).

Josiah Schmidt: Does the Federal Reserve deserve thanks for anything it has done over the past few years?

Jesus Huerta de Soto: No. Central banks are the only institutions responsible for the financial crisis and the economic recession.

Josiah Schmidt: What would have happened if the Fed had let all the bankrupt financial institutions fail?

Jesus Huerta de Soto: A sound monetary system is essential for a market economy. Unfortunately, letting all financial institutions fail would provoke a void in the monetary system that would destroy our current economic system.

Josiah Schmidt: What should the Fed do, at this point, to help bring this recession to an end?

Jesus Huerta de Soto: Central banks should mimic as close as possible the working of a purely private monetary system based on a 100 per cent reserve pure gold standard: A stable monetary supply (growing no more than 2 per cent per year); non-involvement with interest rates and strong separation of short term commercial banking from investment banking (i.e. reintroduction of a kind of Glass-Steagall act).

Josiah Schmidt: Is abolishing the central bank a politically feasible option in this day and age?

Jesus Huerta de Soto: The only way to avoid any future financial crisis and economic recession is through a redesign of the current financial system following these three lines:

- 1st. Abolition of fractional reserve banking, i.e., the reintroduction of 100 per cent reserve banking for demand deposits and equivalents.
- 2nd. The abolition of the central bank (that would not be needed any more as lender of last resort if the 1st reform is enacted).
- 3rd. The privatization of the current pure fiduciary state monetary system and its substitution by a pure gold standard.

Josiah Schmidt: What would, realistically, happen if we woke up tomorrow morning and the Federal Reserve's charter had been revoked and the doors of the central bank were closed up?

Jesus Huerta de Soto: The transition to a sound monetary system is explained in detail in Chapter 9 of my book on *Money, Bank Credit, and Economic Cycles* (Mises Institute, 2nd edition 2009).

Josiah Schmidt: If you had to recommend one beginner's-level book to understand monetary policy and central banking, what would it be?

Jesus Huerta de Soto: My book *Money, Bank Credit, and Economic Cycles* explains everything the readers need to know.

Josiah Schmidt: Great. Thank you, Prof. de Soto