

What is money?

BY TIM CONGDON

Quantitative easing has had a mixed press since it was announced by Mervyn King, the Governor of the Bank of England, in February 2009. In his columns in the *Sunday Telegraph* Liam Halligan has lambasted it with an almost religious fervour, equating it with “the printing of money” and claiming that it will lead to a big surge in inflation. One of his recent articles proposed that money printing (and hence QE) was “the last refuge of declining economic empires and banana republics”, and amounted to “state-sponsored theft”. Halligan sounds like a hellfire monetarist, repeating Milton Friedman’s old maxim that inflation is caused by excessive growth in the money supply.

But what is “money”? The question sounds simple, but it is actually both difficult and controversial. Obviously, legal tender notes and coin are the most familiar form of money, and many people—including Halligan perhaps—understandably believe that they constitute all of the textbook definition of “money”. At one time the Bank of England did indeed prepare data for a money aggregate, known as M0, which was dominated by its own note issue. But nowadays, payments across bank deposits are many times larger—more than 100 times larger—than payments with cash. So the standard definition of money includes deposits. The quantity of money, as normally understood in the UK, embraces a very wide range of deposits and goes under the label of M4. The Bank scrapped M0 in 2006 because it had ceased to represent the notion of money properly. Roughly speaking, M4 was more than 30 times larger than M0 before M0’s demise. So a basic question for Halligan is, to which money aggregate do your warnings relate? Is he concerned about the total of bank deposits (over £1,500 billion) or of the note issue (about £50 billion)? Without a clear answer, it is difficult to know what to make of the hullabaloo about declining empires and banana republics.

Friedman’s own work related mostly to measures of money that included deposits, because he found from experience that these so-called “broad money aggregates” had the best relationship with national expenditure and income. Over the two years since QE began, the M4 concept of money has increased slowly, by about 3 or 4 per cent. The increase in the quantity of money has been the lowest in any two-year period since the 1950s. How can Halligan forecast a huge leap in inflation on the basis of that? The flow of words is wonderful, but what is he actually worried about?

Worship restrained

BY JOSEPH BOTTUM

Freedom of speech. Freedom of worship. Democracy. The rule of law. Equal rights. These were the trumpet calls in the speech David Cameron delivered at the Munich security conference on February 5—the speech that announced the failure of British multiculturalism, the secular sermon that demanded a revival of “muscular liberalism”.

And Amen to all that. In the days of its confident youth, liberalism sired tolerance: an admirable sense that different cultures should not be oppressed simply for being different and a large attitude of acceptance for the eccentricities of human behaviour. But in its wizened old age, liberalism seemed to lose its strength. The

angry child began to slap around the diffident parent, and under the banner of multiculturalism, tolerance grew astonishingly intolerant: not the extension of liberalism but its enemy.

The key, as Mr Cameron rightly sees, is self-assurance. A nation confident in itself, secure in its institutions and traditions, can allow great variation among its people. Of course, muscular liberalism is already something of an enfeebled version of muscular Christianity; the failure of British nerve began long ago, and some of the talk that followed the prime minister’s speech in Munich seemed a Victorianism afraid to speak its name—like a strong drink of Thomas Arnold, watered down to plonk. Still, liberalism is the necessary condition for the possibility of tolerance, and only a nation certain of its own identity can survive such things as freedom of speech and democracy.

National confidence can’t be restored overnight, unfortunately, and multiculturalism managed to insinuate its demands for self-censorship and self-deprecation even into the text of the Munich speech. Take the call for “freedom of worship”, for example. Perhaps Mr Cameron did not know that this has become the latest term of art in diplomatic circles—the euphemism by which foreign-policy types, particularly in the United States and at the United Nations, signal to tyrannies around the world that they are not much interested in the rights of religious minorities.

We used to call for “freedom of religion”, which meant that people were free to stand on street corners and espouse anything from Muggletonianism to Madame Blavatsky. If you have freedom of religion, you can bring up children in your faith, hold public processions, print books, and organise as you will.

If you have only “freedom of worship,” however, you are allowed merely to pray quietly in your home, out of public sight. Freedom of worship does nothing to outlaw executions for conversion away from Islam. Nor does it do anything to prevent the communist control of churches. Worship is part of religion, certainly, but it is the least public part—and thus the least involved in actual freedom.

The shift in language marks the shift in confidence: a signal to the likes of Cuba, China, Iran and Vietnam that we aren’t all that assured, any more, about the universal truth and moral correctness of liberalism. A signal, for that matter to ourselves and another diffident sacrifice to the great gods of multiculturalism.

The newest hatred

BY DAVID CESARANI

What is worse, being falsely labelled a Tory or wrongly called a Jew? This question might have flashed through the mind of Aaron Porter, president of the National Union of Students, when police escorted him away from a group of anti-fees protesters in Manchester who taunted him with cries of “Tory Jew scum.”

Given that Porter is not Jewish and is a member of the Labour Party, the choice of insult may seem bizarre. But Porter probably managed to decode the message. He knows that on the extreme fringe of left-wing activism in this country, “Jew” has become a term of political abuse.

Surprisingly, this does not always relate to Israel or Zionism—at least not directly. Shortly after the incident, Porter went on a fact-finding mission to Israel and the West Bank where he met Israeli and Palestinian