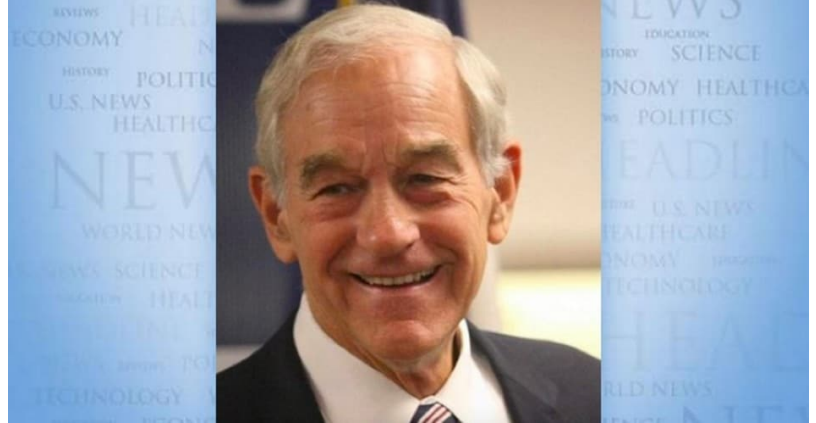




Written by [Ron Paul](#) on March 4, 2024

Federal Reserve Responsibility for Consumer and Government Debt Crises

According to the Federal Reserve, credit card delinquencies increased by 50 percent in 2023, while consumer debt grew to 17.5 trillion dollars. A recent survey by Clever Real Estate found that three in five Americans have credit card debt and that 23 percent of Americans increase their credit card debt every month. The survey also found that 48 percent of Americans (including 59 percent of millennials) use credit cards for essential living expenses.



Ron Paul

The overreliance on credit cards and the accompanying increase in consumer debt are consequences of our fiat money system. Since Richard Nixon severed the last link between the dollar and gold in August of 1971, the dollar's value has declined by 87 percent based on the government's understated Consumer Price Index numbers. This means that even though Americans' nominal wages have increased, their real wages have declined as their dollars buy less.

The continuing erosion of the dollar's value makes it impossible for many Americans to accumulate meaningful savings. Those Americans who can save may actually lose money by doing so thanks to the Federal Reserve's inflation tax that erodes the value of savings. This is why Congress has felt it necessary to provide tax incentives to encourage saving for things like retirement, education, and health care.

Congress could help protect Americans from the inflation tax by forbidding the Federal Reserve from purchasing government debt instruments such as Treasury securities. However, since this would end Congress's ability to run up huge deficits, thus forcing it to pare back the welfare-warfare state, it is unlikely such legislation would pass.

The reliance of so many Americans on credit cards for basic necessities is one reason why many Americans are dissatisfied with the economy. The large amount of consumer debt is also a reason the Federal Reserve will not increase interest rates to anywhere near what they would be in a free market. The problem is compounded by the fact that investors and businesses have become addicted to near zero or at zero interest rates. The Fed's relatively modest rate increases over the last couple years caused many "experts" to warn that the Fed was going to throw the economy into a recession. The Fed, though, has been able to claim recession has been avoided because the Fed kept the rates relatively low, and because government statistics are manipulated to understate the real rates of unemployment and inflation.

The Fed cannot indefinitely keep interest rates low without causing a dollar crisis. This will either be caused by, or result in, a rejection of the dollar's world reserve currency status. At that point, interest rates will skyrocket and consumers and businesses that have been relying on debt to cope with the Fed's dollar destruction will find the piper at their doors, demanding to be paid.

The economic crisis will be worsened by the moral crisis caused by the belief among too many



Written by [Ron Paul](#) on March 4, 2024

Americans at all levels of society that they have a right to government-provided economic security at the expense of their fellow citizens. This will result in violence and the growth of authoritarian political movements.

The collapse of the fiat money system and the accompanying welfare-warfare state also provide an opportunity for those of us who understand the truth to build a society based around the principles of liberty. We must continue our efforts to reach a critical mass of people with the message of liberty while making plans to ensure our families can take care of themselves when the next crash occurs.

Ron Paul is a former U.S. congressman from Texas. This [article](#) originally appeared at the Ron Paul Institute for Peace and Prosperity and is reprinted here with permission.



Subscribe to the New American

Get exclusive digital access to the most informative,
non-partisan truthful news source for patriotic Americans!

Discover a refreshing blend of time-honored values, principles and insightful perspectives within the pages of "The New American" magazine. Delve into a world where tradition is the foundation, and exploration knows no bounds.

From politics and finance to foreign affairs, environment, culture, and technology, we bring you an unparalleled array of topics that matter most.



Subscribe

What's Included?

- 24 Issues Per Year
- Optional Print Edition
- Digital Edition Access
- Exclusive Subscriber Content
- Audio provided for all articles
- Unlimited access to past issues
- Coming Soon! Ad FREE
- 60-Day money back guarantee!
- Cancel anytime.