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The Federal Reserve Wants You Fired

The Federal Reserve was no doubt troubled by July's decline in the US unemployment rate to 4.5 percent and increase in job openings to 11.2 million. This is because the Fed's strategy for reducing the historic price inflation now plaguing the economy — caused by the Fed's unprecedented low or zero interest rate policies — is to increase unemployment in order to decrease consumer spending. In his speech to the annual monetary policy conference in Jackson Hole, Wyoming, Fed Chair Jerome Powell reiterated his commitment to increasing unemployment, or, as he puts it, "softening the labor markets."



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Powell is correct that reducing price inflation is urgent. He is also correct that doing so will increase unemployment and slow economic growth. The Fed's efforts to bring down inflation by increasing interest rates will also make it harder for average Americans to obtain home mortgages, purchase a car, or even pay their utility bills. Those hardest hit by the Fed's "softening of labor markets" are also the primary victims of the Fed-created price inflation. This demonstrates the insanity and cruelty of the fiat money system, which enriches the elites while impoverishing the masses.

Well-connected members of the financial elite and crony capitalists benefit from the Federal Reserve's money creation, as they are the first recipients of the new money. This enables them to increase their purchasing power before the new money has caused general price inflation. By the time the money creation has impacted the middle and working classes, the economy is racked with widespread price inflation. Therefore, a nominal gain in wages is not enough to compensate for the real price increase. So average Americans suffer from both Fed-created inflation and the Fed's attempts to rein in that inflation.

It is amazing that more individuals do not question the idea that inflation, recessions, unemployment, and booms and busts are necessary features of a sound monetary system. Even many otherwise staunch defenders of free markets maintain a child-like faith in central banking. Some conservatives support "reforming" the Fed by making it follow a "rules-based" monetary policy. These conservatives do not understand that the problem is the existence of a central bank with the power to manipulate the currency.

Many progressives recognize the damage the Fed does to average Americans when it increases interest rates. However, their "solution" is a cure worse than the disease: make the Fed maintain low interest rates (and thus high inflation) in perpetuity—or until the continued devaluation of the currency via inflation causes a dollar crisis, leading to a major economic calamity. The main victims of this crisis will, of course, be the very Americans progressives claim to care about.

The Federal Reserve's failure to fulfill its dual mandate of producing stable prices and full employment, combined with the damage it inflicts on the American people, makes the best case for changing our



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monetary policy. A stable currency, safe from manipulation by politicians or central bankers, would provide the basis for long term prosperity that benefits everyone, not just the crony capitalists and the power-hungry politicians. The first steps in this transition are to finally pass audit the Fed legislation and continue the efforts to pass state laws recognizing precious metals as legal tender.

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.



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