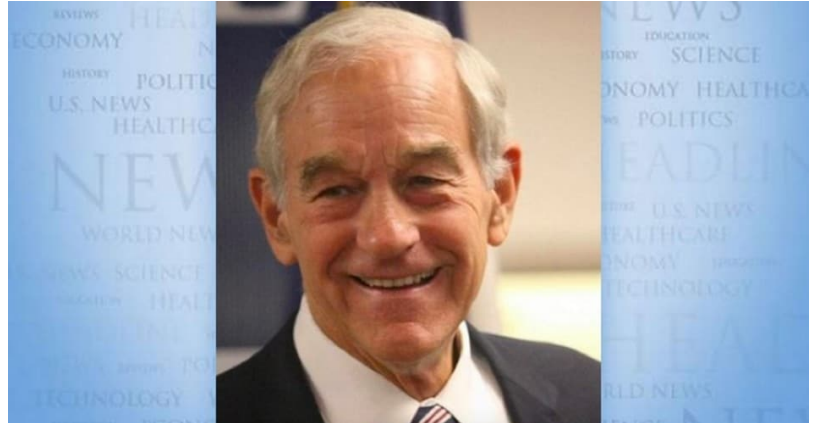




Written by [Ron Paul](#) on January 27, 2025

To Make America Great Again, Separate Money and State

“Delivering Emergency Price Relief for American Families and Defeating the Cost-of-Living Crisis” is the title of one of the many executive orders President Trump issued in his first week back in the Oval Office. This executive order directs federal agencies to “deliver emergency price relief” to the American people by reducing federal regulations that increase the cost or limit the supply of healthcare, housing, energy, and other goods and services.



Ron Paul

Repealing regulations is an effective way to reduce costs and increase supply in the affected industries. However, the price increases caused by regulations are sector specific. Economy-wide price increases are caused by the Federal Reserve.

Widespread price increases are the result of inflation. Inflation occurs when the central bank lowers interest rates by increasing the money supply.

In his remarks by video on Thursday before the World Economic Forum’s yearly meeting in Davos, Switzerland, President Trump said he would soon meet with Federal Reserve Chairman Jerome Powell to “demand” the Fed cut interest rates in order to help Americans cope with high prices. Pumping more money into the economy may give some consumers a temporary boost in purchasing power, but a long-term effect of the cut will be further erosion of most Americans’ standard of living as the influx of new money causes the dollar to lose value.

The short-term benefits of any increase of the money supply and reduction in interest rates are mostly felt by the well-off since they receive the new money before other Americans. So they enjoy increased purchasing power before the Fed’s inflationary policies cause prices to rise.

Interest rates are the price of money. As with all prices, interest rates inform market actors about market conditions. When the central bank manipulates the interest rates, it distorts the signals sent to market actors, causing misallocation of resources. The result is a “bubble” that produces a short-term boost in employment and incomes. However, the bubble will eventually burst, causing a recession. Just as middle- and lower-income Americans suffer most from the Federal Reserve-caused price increases, they are the primary victims of the Federal Reserve-caused recession.

The best thing Congress and the Federal Reserve can do when a bubble bursts is let the recession run its course. Recessions are necessary to remove the distortions caused by the Federal Reserve’s easy money policies. Of course, Congress and the Federal Reserve refuse to take the sensible, though politically difficult, path. Instead, they set the stage for the next bubble via “stimulus” spending and low interest rates.

President Trump claims he knows more about interest rates than does Federal Reserve Chair Jerome Powell. Whether or not President Trump’s experience in real estate development (a business that is very sensitive to changes in interest rates) makes him more of an expert on interest rates than Chairman Powell is beside the point. No politician, bureaucrat, or central banker can know the correct interest



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rate. The only way to know the correct rate is to allow individuals acting in a free market to set the interest rate.

Despite his misunderstanding of monetary policy, President Trump deserves credit for publicly criticizing the Federal Reserve. President Trump should follow through on his critiques of the Fed by working with Congress to pass the Audit the Fed bill and legislation allowing people to use alternatives like precious metals and cryptocurrencies.

Restoring a free market in money is key to fulfilling President Trump's inaugural pledge to bring about a new golden age.

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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