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## To Really “Make America Great Again,” End the Fed!

Former Dallas Federal Reserve Bank President Richard Fisher recently gave a speech identifying the Federal Reserve’s easy money/low interest rate policies as a source of the public anger that propelled Donald Trump into the White House. Mr. Fisher is certainly correct that the Fed’s policies have “skewed” the middle class. However, the problem is not specific Fed policies, but the very system of fiat currency managed by a secretive central bank.



Federal Reserve-generated increases in money supply cause economic inequality. This is because, when the Fed acts to increase the money supply, well-to-do investors and other crony capitalists are the first recipients of the new money. These economic elites enjoy an increase in purchasing power before the Fed’s inflationary policies lead to mass price increases. This gives them a boost in their standard of living.

By the time the increased money supply trickles down to middle- and working-class Americans, the economy is already beset by inflation. So most average Americans see their standard of living decline as a result of Fed-engendered money supply increases.

Some Fed defenders claim that inflation doesn’t negatively affect anyone’s standard of living because price increases are matched by wage increases. This claim ignores the fact that the effects of the Fed’s actions depend on how individuals react to the Fed’s actions.

Historically, an increase in money supply does not just cause a general rise in prices. It also causes money to flow into specific sectors, creating a bubble that provides investors and workers in those areas a (temporary) increase in their incomes. Meanwhile, workers and investors in sectors not affected by the Fed-generated boom will still see a decline in their purchasing power and thus their standard of living.

Adoption of a “rules-based” monetary policy will not eliminate the problem of Fed-created bubbles, booms, and busts, since Congress cannot set a rule dictating how individuals react to Fed policies. The only way to eliminate the boom-and-bust cycle is to remove the Fed’s power to increase the money supply and manipulate interest rates.

Because the Fed’s actions distort the view of economic conditions among investors, businesses, and workers, the booms created by the Fed are unsustainable. Eventually reality sets in, the bubble bursts, and the economy falls into recession.

When the crash occurs the best thing for Congress and the Fed to do is allow the recession to run its course. Recessions are the economy’s way of cleaning out the Fed-created distortions. Of course, Congress and the Fed refuse to do that. Instead, they begin the whole business cycle over again with another round of money creation, increased stimulus spending, and corporate bailouts.

Some progressive economists acknowledge how the Fed causes economic inequality and harms average Americans. These progressives support perpetual low interest rates and money creation. These so-



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called working class champions ignore how the very act of money creation causes economic inequality. Longer periods of easy money also mean longer, and more painful, recessions.

President-elect Donald Trump has acknowledged that, while his business benefits from lower interest rates, the Fed's policies hurt most Americans. During the campaign, Mr. Trump also promised to make audit the fed part of his first 100 days agenda. Unfortunately, since the election, President-elect Trump has not made any statements regarding monetary policy or the audit the fed legislation. Those of us who understand that changing monetary policy is the key to making America great again must redouble our efforts to convince Congress and the new president to audit, then end, the Federal Reserve.

*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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