



From the Editor

Time to End the Fed

Ask an average American what his top concerns are, and the Federal Reserve System is not likely to make the list. He might worry about inflation, unemployment, the national debt, the prospect of a world war, or even the collapse of the dollar. But he probably doesn't understand that the common cause behind all of these ills is America's central bank — the Federal Reserve, or Fed. Behind the innocuous name, the Fed has been for generations methodically destroying the value of our currency, creating inflation, fueling boom-and-bust cycles, and incentivizing more and more debt both public and private. Through the legerdemain of fiat money creation and deficit spending, the Fed, in partnership with the Treasury Department, has also permitted an unprecedented spending binge on the military and on numerous welfare programs. Yet most aspects of the welfare-warfare leviathan would be political pipe dreams if they had to be financed by direct taxation.

What not one American in a thousand understands is that the endless cycle of borrowing and printing money is in fact a type of tax, and, moreover, a tax of a particularly dishonest and insidious kind. Rather than sending agents to extract the money from our paychecks, business transactions, and capital gains, the Federal Reserve presides over a steady transfer of wealth from the poor and middle classes to the wealthy and well-connected elites, as the mechanism of money creation causes the value of savings and paychecks to plummet even as it drives up asset values for the most privileged.

The Federal Reserve is an odd beast. Designed by secretive European bankers in the early 20th century, the institution is a unique public-private hybrid. As an article published by the Federal Reserve Bank of San Francisco puts it, "The Federal Reserve ... enjoys a unique public/private structure that operates within the government, but is still relatively independent of government to isolate the Fed from day-to-day political pressures in fulfilling its varying roles."

In *The Federal Reserve System: Purposes & Functions*, this structure is given further clarification: "The Federal Reserve System is considered to be an independent central bank. It is so, however, only in the sense that its decisions do not have to be ratified by the President or anyone else in the executive branch of the government. The entire System is subject to oversight by the U.S. Congress.... The Federal Reserve must work within the framework of the overall objectives of economic and financial policy established by the government."

While supporters of the Fed tout its alleged independence from politics, its public-private structure is actually designed to ensure that both public and private elite interests (which are indeed remote from the sordid canvas of petty partisan politics) are served by Fed policies. The Fed is the principal sustainer of the elites, ensuring that those positioned to drink directly from its money spigots will never go thirsty. The rest of us, denied such access, must watch our reservoirs of wealth slowly dry up. This, and not the alleged failures of the free market, is the real reason that the rich get richer and richer, while the rest of us watch our savings and income dwindle.

In this issue, we feature two articles on the Federal Reserve. One, by author, economist, and historian Thomas DiLorenzo, looks in detail at the history and internal workings of the Fed. Many in our readership will not be surprised to learn of the venality and corruption within the Fed; it turns out that this supposedly apolitical, empyrean organization is, in fact, just as beholden to special interests as any



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other elite power center. DiLorenzo ably explodes many popular misconceptions about the Fed's role in economics and finance, including its alleged mission to maintain financial stability.

The other piece, by Steve Bonta, along with a sidebar by Peter Rykowski, describes why and how America should get rid of the Federal Reserve.

America can never truly be free until the Federal Reserve is ended and sound money restored. Share this issue with friends and others to help better inform the public about the Federal Reserve.



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