

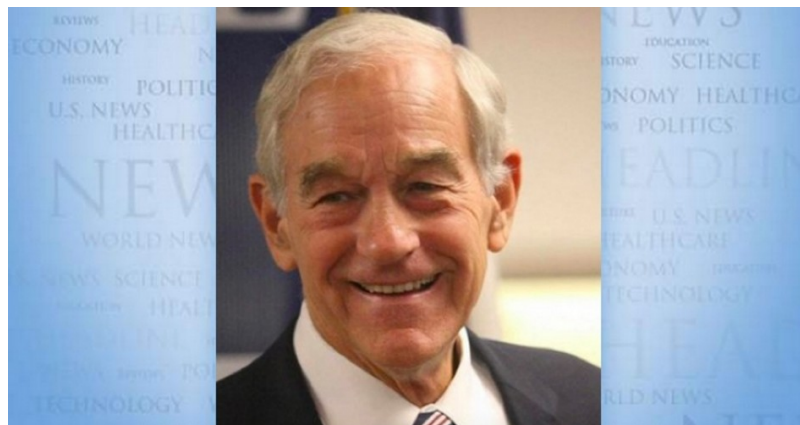


Written by [Ron Paul](#) on July 22, 2016

Don't Reform the Fed, Fed-Exit!

Opponents of a central bank should take advantage of the post-Brexit vote revival of secessionist sentiments to promote a secession from central banking, or “Fed-exit.” Ending the Federal Reserve’s monopoly on money is the key to restoring and maintaining our liberty and prosperity.

By manipulating the money supply to fix interest rates, the Federal Reserve engages in price fixing. After all, interest rates are nothing more than the price of money. Like all prices, they communicate information about economic conditions to market actors. Federal Reserve attempts to override the market rate of interest with a Fed-favored rate distort the price signals sent to businesses, investors, and consumers. The result of this distortion is a Fed-created boom, followed by a Fed-created bust.



The Fed’s action affects the entire economy and impacts the lives of all Americans, as well as of people around the world. Therefore, it is no exaggeration to say that the attempt to fix interest rates is the most harmful example of price fixing.

Many who normally oppose government intervention in the marketplace claim that central banking could work if only the Fed adhered to a monetary rule. Supporters of a “rules-based” monetary policy claim that a rules-based approach will bring stability and predictability to monetary policy, and thus put the economy on a path to permanent prosperity. But under a rules-based monetary policy, the Federal Reserve retains the power to manipulate interest rates. So under a rules-based approach, investors and entrepreneurs would still receive distorted price signals, which would still result in a boom-bust cycle. No rule can fix the flaws inherent in our system of monetary central planning.

In recent years, many progressives have joined libertarians and conservatives in criticizing the Federal Reserve. Progressive Fed critics often focus on the ways the Fed’s policies benefit big banks, Wall Street, and other special interests, and how the policies harm average Americans. Unfortunately, but not surprisingly, many progressives do not want a free market in money. Instead they want a more “democratic” Fed. Thus, progressives favor, for example, requiring that more members of the Fed’s board be confirmed by the US Senate. They also favor putting representatives of “public interest” groups on the Fed’s board.

The Fed’s progressive critics are correct that big banks together with powerful financial institutions have too much influence on monetary policy. While implementing progressive reforms may reduce Wall Street’s influence on monetary policy, it will likely also strengthen the influence of the deep state — that network of crony capitalists, lobbyists, congressional staffers, and others who work behind the scenes to control our economic and foreign policies.



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Many progressives believe that middle- and working-class Americans would benefit from a more “stimulative” (meaning inflationary) monetary policy. Saying that inflation would help the average American turns reality on its head. Middle- and working-class Americans are the main victims of the Fed’s inflation tax. Average Americans also suffer the most when the bubble created by the Fed’s inflationary “stimulus” inevitably bursts. The true beneficiaries of inflation are crony capitalists and big-spending politicians.

Instead of fruitless efforts aimed at “reform” of the Fed, those concerned with restoring a true free market, reducing economic inequality, and promoting peace and prosperity for all should work for a “Fed-exit.” The first step, of course, is to pass Audit the Fed.

Once Congress and the people learn the full truth about the Fed, they can begin to consider the best ways to Fed-exit. There are a number of steps that can and should be taken toward that goal that I will outline in a future column.

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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