



Will the Fed Lose Control?

According to new reports from the Social Security and Medicare trustees, Social Security and a Medicare fund that pays for hospital expenses will both begin running deficits in 2035 and 2036. Disappointingly, but not surprisingly, Congress was too preoccupied spending billions more on military aid for foreign countries and banning TikTok to pay attention to the looming bankruptcy of the two largest federal entitlement programs.



Ron Paul

Many in Congress no doubt believe they can ignore the impending bankruptcy of Social Security and Medicare because they can count on the Federal Reserve to do the “dirty work” of cutting real benefits and raising taxes. This result can be produced via the hidden, and regressive, “inflation tax.”

The Federal Reserve makes the debt-financed welfare-warfare state possible by monetizing the federal debt. This is one reason why, even though interest on the debt is now the third largest item in the federal budget behind Social Security and Medicare and ahead of military spending, there are so few in Congress serious about cutting welfare or warfare. Those few who seek real spending cuts in welfare are smeared as “heartless” while those seeking real cuts in warfare are smeared as “anti-American” by the uniparty.

The government’s excessive spending and debt is leading to what some economists call “fiscal dominance.” Fiscal dominance occurs when a central bank must prioritize monetizing ever higher levels of government debt, giving Congress de facto control over monetary policy.

The Federal Reserve’s purchase of federal debt will result in price inflation. It will also encourage more government spending by reinforcing the uniparty delusion that, as former Vice President Dick Cheney said, “deficits don’t matter.” The Federal Reserve’s inflationary policies artificially lower the interest rates, which are the price of money. The artificially low interest rates distort the signals sent to investors and entrepreneurs, leading to malinvestment. This creates bubbles resulting in illusionary prosperity. Eventually, economic reality will catch up with the Fed-created illusions and the bubbles will burst, causing an economic downturn.

The next economic crisis will likely either be caused by or result in a rejection of the dollar’s world reserve currency status. Congress will be forced to make drastic cuts in spending while the Fed will be enabled to monetize the debt. This will result in massive public unrest potentially resulting in violence, the rise of authoritarian movements on the left and right, and increasing authoritarianism.

The only way to avoid this fate is for a critical mass of Americans to demand Congress immediately begin rolling back the welfare-warfare state, starting with our bloated military budget. The savings from this can be used to help protect those currently reliant on government welfare and entitlement programs as those programs are phased out and the job of providing aid is returned to private charities, churches, and local communities. Congress should also rein in the Federal Reserve by passing the Audit the Fed bill, legalizing alternative currencies, and forbidding the Fed from purchasing government debt.



Written by [Ron Paul](#) on May 13, 2024

Since the 2008 meltdown, Federal Reserve apologists have spent a lot of time saying that Audit the Fed puts Congress in charge of monetary policy while ignoring the fact that a real threat to the central bank's autonomy is the growth in federal spending and debt. The goal, though, should be to abolish the Federal Reserve, not protect it. Those who truly want a monetary system free from political interference should join the movement to restore government's constitutional limits and separate money and state.

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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