Top 10 Reasons to End the Federal Reserve

By: Julie Borowski

1. The Federal Reserve Has Far Too Much Power to Control Our Economy

Federal Reserve Chairman Ben Bernanke has the power to dramatically impact our economy at a drop of the hat. The central bank completely controls and determines the money supply. It is permitted to create as much money as it wants out of thin air with no restrictions. This is the antithetical to the principles that America was founded on. Our Founding Fathers would be outraged that one centralized institution has unchecked and unprecedented power to control the economy and thus our lives.

2. The Federal Reserve Has Significantly Devalued Our Currency

The laws of supply and demand apply to money. The more dollars we have in the circulation, the less the currency is worth. Our money supply has rapidly increased over the past century due to the Federal Reserve printing massive amounts of money like there is no tomorrow. This is what will almost inevitably happen when a quasi-governmental entity can simply print more money to its heart’s content. Since the Federal Reserve came into existence in 1913, the dollar has lost over 95 percent of its value. Today’s dollar is worth less than a nickel compared to the pre-1913 dollar.

3. The Federal Reserve Hurts the Poor and Middle Class the Most

Our hard-earned money is essentially stolen through a hidden inflation tax. Inflation is the increase in the supply of money and credit. It is often wrongly defined as the general rise in the price of goods and services. But higher prices are actually a direct consequence of inflation since increasing the supply of money decreases the purchasing power of the dollar. Inflation hurts the poor most since they have less disposable income. Consumers with low disposable incomes will be negatively impacted by higher prices for food and clothing.

4. The Federal Reserve is Run By Unelected and Unaccountable Bureaucrats

The Board of Governors at the Federal Reserve are not directly elected by the American people. This means that those who run the Federal Reserve are unaccountable to the people. The seven members of the Board ultimately decide the price or purchasing power of our money. That kind of central planning would never exist in a true free market economy.

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5. The Federal Reserve Has Made Our Economy Less Stable

The Federal Reserve has brought us endless boom-and-bust cycles. The U.S. economy was much more stable before the Federal Reserve came into existence. It bears significant responsibility for every financial crisis over the past century including the Great Depression, the stagflation of the 1970s and recent economic meltdown. The Austrian Business Cycle Theory explains why we see such wide fluctuations in the economy. The theory states that a false boom occurs when the Federal Reserve lowers interest rates below the market rate which increases the supply of money. Artificially low credit cost sends out misleading economic signals to producers. They are inclined to respond by greatly expanding their production around the same time. In retrospect, these investment decisions called *malinvestments* are seen as a bad allocation of resources. Malinvestments will lead to wasted capital and economic losses. The expansion of credit cannot continue permanently which means that inevitable bust will follow a false boom created by the Federal Reserve.

6. The Federal Reserve is Far Too Secretive

The central bank severely lacks transparency. Throughout its 100-year history, it has always operated under a veil of secrecy. The Federal Reserve has never been fully audited by any outside source. Our elected representatives in Congress have very little oversight over the central bank. It has continually resisted any kind of congressional oversight claiming that it would endanger its “independence.” A comprehensive audit of the Federal Reserve would not harm its so-called independence. It would only expose how the Federal Reserve has been manipulating our currency behind closed doors. And Ben Bernanke surely doesn’t want that to happen.

7. The Federal Reserve Benefits Special Interests

The policies of the Federal Reserve hurt the average American. It benefits the privileged few at the expense of the rest of us. The Federal Reserve erodes most Americans’ standard of living while enriching well-connected elites. The central bank serves big spending politicians, big bankers and their friends. Special interests receive access to money and credit before the harmful inflationary effects impact the entire economy. This is why high power lobbyists protect and defend the existence of the Federal Reserve.

8. The Federal Reserve is Unconstitutional

The Constitution makes no mention of a central bank. While there have been historical debates on the constitutionality of a central bank, I see no justification for the argument that the Federal Reserve is constitutional. The federal government only has about thirty enumerated powers delegated to it in the Constitution. The power to create a central bank is not explicitly granted to the federal government in our founding document. Due to my strict interpretation of the Constitution, I find the Federal Reserve to clearly violate the Constitution.

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9. The Federal Reserve Routinely Bails Out Big Banks

The Federal Reserve acts as the lender of last resort. The Federal Reserve was ordered through a Freedom of Information Act request to release 28,000 pages of documents in March 2011. The documents exposed that one of the largest recipients of the Federal Reserve’s money was foreign banks during the 2008 economic meltdown. The top foreign banks that received money were the Brussells and Paris based Dexia SA, the Dublin based Depfa Bank Plc, the Bank of China and Arab Banking Corp., according to Campaign for Liberty. ³

In July 2011, due to a provision under the misguided Dodd-Frank financial overhaul law, the Government Accountability Office (GAO) conducted a one-time, watered-down audit of the Federal Reserve. The GAO investigators were not allowed to view most of the Federal Reserve’s monetary policy decisions including discount window lending, open-market operations and details on its transactions with foreign governments and banks. ⁴ This first ever audit of the Federal Reserve revealed $16 trillion in secret bailouts to corporations and banks around the world in less than three years. ⁵ These bailouts happened without a single vote taking place in any chamber of Congress.

10. The Federal Reserve Encourages Deficit Spending

The Federal Reserve is largely responsible for the out-of-control spending by Congress. The federal government can only obtain money through taxation, printing or borrowing money. Printing money has become the federal government’s preferred method. This is also the most destructive method since the federal government is able to simply print more money as needed to finance its drunken spending spree. It has become a never-ending cycle of spending and printing more money. Voters can put pressure on their representatives to halt politically unpopular tax hikes and lenders could stop loaning money to the U.S. government. But it’s fast and easy for the Federal Reserve to print more money at a whim.

Julie Borowski is a Policy Analyst for FreedomWorks Foundation, a grassroots educational organization dedicated to lower taxes, less government and more freedom.