

April 9, 2007 Recently I had the opportunity to question Federal Reserve Chairman Ben Bernanke when he appeared before the congressional Joint Economic committee. The topic that morning was the state of the American economy, and many of my colleagues raised questions about how the Fed might better "regulate" things to ease fears of an economic downturn. The tenor of my colleagues' questions suggested that Mr. Bernanke's job is nothing less than to run the U.S. economy, like some kind of Soviet central planner. Certainly it's true that Mr. Bernanke can drastically affect the economy at the drop of a hat, simply by making decisions about the money supply and interest rates. But why do members of Congress assume this is good? Why do we accept without objection that a small group of people on the Federal Reserve Board wields so much power over our economic well-being? Is centralized, monopoly control over our money even compatible with a supposedly free-market economy? Few Americans give much thought to the Federal Reserve System or monetary policy in general. But even as they strive to earn a living, and hopefully save or invest for the future, Congress and the Federal Reserve Bank are working insidiously against them. Day by day, every dollar you have is being devalued. The greatest threat facing America today is not terrorism, or foreign economic competition, or illegal immigration. The greatest threat facing America today is the disastrous fiscal policies of our own government, marked by shameless deficit spending and Federal Reserve currency devaluation. It is this one-two punch-- Congress spending more than it can tax or borrow, and the Fed printing money to make up the difference-- that threatens to impoverish us by further destroying the value of our dollars. The Fed's inflationary policies hurt older people the most. Older people generally rely on fixed incomes from pensions and Social Security, along with their savings. Inflation destroys the buying power of their fixed incomes, while low interest rates reduce any income from savings. So while Fed policies encourage younger people to overborrow because interest rates are so low, they also punish thrifty older people who saved for retirement. The financial press sometimes criticizes Federal Reserve policy, but the validity of the fiat system itself is never challenged. Both political parties want the Fed to print more money, either to support social spending or military adventurism. Politicians want the printing presses to run faster and create more credit, so that the economy will be healed like magic- or so they believe. Fiat dollars allow us to live beyond our means, but only for so long. History shows that when the destruction of monetary value becomes rampant, nearly everyone suffers and the economic and political structure becomes unstable. Spendthrift politicians may love a system that generates more and more money for their special interest projects, but the rest of us have good reason to be concerned about our monetary system and the future value of our dollars.