Last week the Federal Reserve began the second incarnation of "Operation Twist", an attempt to drive down interest rates by purchasing long-term Treasury debt and selling short-term debt. This is just the latest instance of the central bank desperately flailing around doing something merely for the sake of doing something. Fed officials still do not understand-- or admit-- that the Fed itself caused the financial crisis by driving interest rates too low and relentlessly expanding the money supply. Thus, this latest action will just exacerbate the problem.

Markets, however, understand that the Fed has failed and has no clue what it is doing. This is why markets went into a tailspin after the Fed's new strategy was announced. Stock, bonds, and commodities dropped in price while the financial press wondered whether this worldwide sell-off meant that the entire system was collapsing. Not since 2008 had there been such a dramatic drop across so many different sectors of the market.

Because of continued rising inflation and the Federal Reserve's suppression of interest rates, investing in traditional safe havens such as savings accounts, mutual funds, and Treasury bonds has become unprofitable. Lots of money is moving through the system seeking a return on investments or at least some measure of safety, as increasingly desperate investors move their funds around in search of long-term profits and stability. Until the Fed stops its monetary intervention and allows interest rates to be set by the free market, investors will move their money in a volatile manner. They will invest in commodities and stocks while prices swing upwards, but will flee to bonds and cash at the first sign of a downturn.

The uncertainty caused by the Fed does help some people – professional traders on Wall Street for example. Increased volatility and huge price swings mean more opportunities for profit, as sophisticated electronic trading programs can buy and sell huge positions within a fraction of a second of a major market movement. But small businessmen are misled by the artificially low interest rates into making unwise investments, and those whose jobs vanish when the Federal Reserve's latest bubble pops suffer. Without the knowledge or ability to move with the markets or diversify overseas, average Americans see their savings stagnate or depreciate-- along with their hopes and dreams for a better tomorrow.

The only way to return to a sound economy is for the Federal Reserve to cease and desist its monetary manipulation and allow interest rates to be determined by markets, just as the price of goods, services, and labor should be determined by markets. Everything the Fed is doing by pumping money into the economy benefits only the insolvent, too-big-to-fail banks. Low interest rates encourage consumers to take on more debt, meaning more profits for the banks issuing those loans. Purchasing mortgage-backed securities, as the Fed has done, keeps housing prices inflated, helping the banks who have non-performing mortgages on their books. However, it hurts consumers who continue to be priced out of the housing market. In order to maintain a decent standard of living for the American people and to restore the vibrancy of the U.S. economy, it is time to end the Fed.