

# ENDING THE FED:

TRUMP TAKES ON THE CREATURE FROM JEKYLL ISLAND



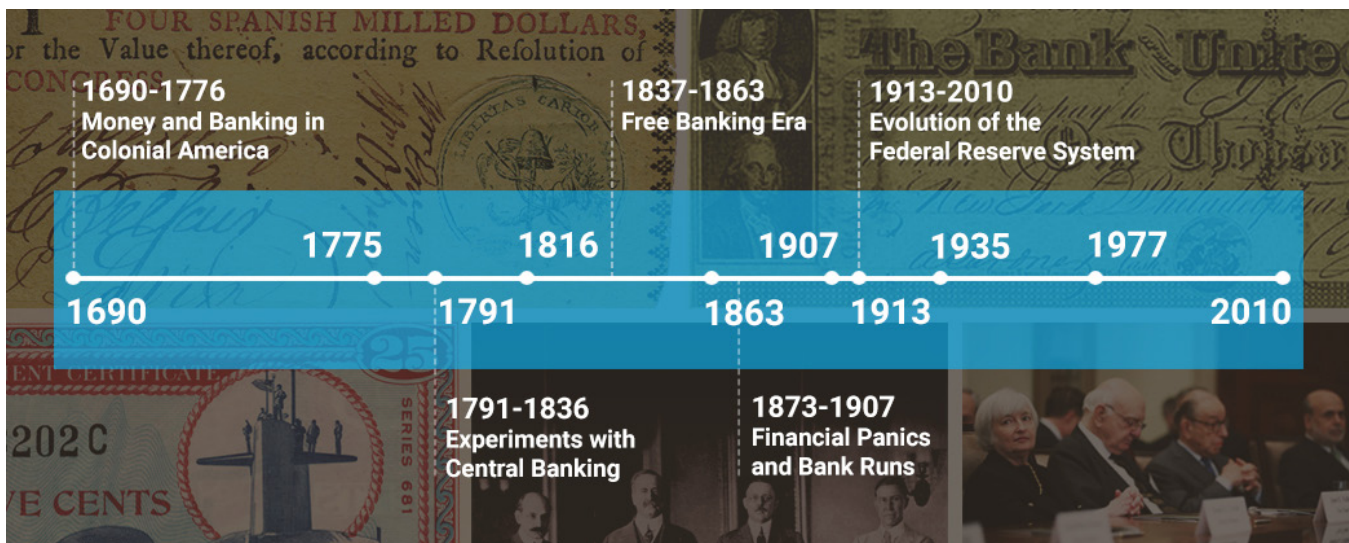


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In its mere century of existence, the United States Federal Reserve has been a target of more controversy than practically any other governmental entity. Despised by many, the Federal Reserve has been charged with overextending the U.S. government's role in our financial affairs, thus giving rise to the popular and ongoing call to "end the Fed."

With the backing of Congress, President Woodrow Wilson signed the Federal Reserve Act into law on December 23, 1913, with the intention of shoring up a then fragile financial system. Back then, banks would often fail, and customers of other banks would rush to withdraw their funds, even if those other banks weren't failing.

Bank panics or "runs" were thus common during the early part of the twentieth century, and many banks didn't have sufficient cash on hand to meet the heavy demand. A particularly severe panic occurred in 1907, leading to demands for banking reform. Furthermore, many banks were issuing their own currency (called "bank notes"), so currency that was good in one state was sometimes worthless in another.



*Courtesy: frbsf.org*

It was only under these desperate conditions that America was willing to cede so much power, control, and freedom to the government in one fell swoop. It was also in desperate conditions that the U.S. Congress passed the Banking Act of 1935, during the height of the Great Depression; this established the Federal Open Market Committee (FOMC), the Fed's monetary policy-making body.

There's also the Federal Reserve Board, a.k.a. the Board of Governors, which guide the Fed's policy actions. Appointed by the U.S. President and confirmed by the Senate, these Governors have unusually long terms of 14 years. Such long terms, combined with the fact that they aren't elected, make the nation's financial policymakers almost entirely unaccountable to the will of the people.

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And indeed, the Fed has been beset with controversy ever since its inception: historical records indicate that the Federal Reserve's conception took place during a secret meeting of financiers, including executives from J.P. Morgan Company and the First National Bank of New York, at Jekyll Island, Georgia.

**The fact that a governing entity with the ability to control the nation's money supply has operated under a veil of secrecy, and the fact that it wields such massive control over the country's banking system, has made the Federal Reserve a target of constant criticism for over a century. As a reminder of their influence, the Fed even put their name on the nation's currency:**

The criticism of the Federal Reserve as a secretive governmental money-printing machine comes from a large and growing number of well-known figures in finance. Arizona Senator Barry Goldwater, for example, had scathing words for the Fed, saying: "The accounts of the Federal Reserve System have never been audited. It operates outside the control of Congress and manipulates the credit of the United States."

Pennsylvania Representative Louis T. McFadden was even harsher: "When the Federal Reserve Act was passed, the people of these United States did not perceive that a world banking system was being set up here. A super-state controlled by international bankers and industrialists... acting together to enslave the world... Every effort has been made by the Fed to conceal its powers but the truth is—the Fed has usurped the government."

**Even President Wilson himself regretted the formation of the Federal Reserve. The national debt catapulted from \$3 billion to \$24 billion during his presidency, and in his final years, Wilson said, "I have unwittingly ruined my country. A great industrial nation is controlled by its system of credit. Our system of credit is concentrated. The growth of the nation, therefore, and all our activities are in the hands of a few men."**

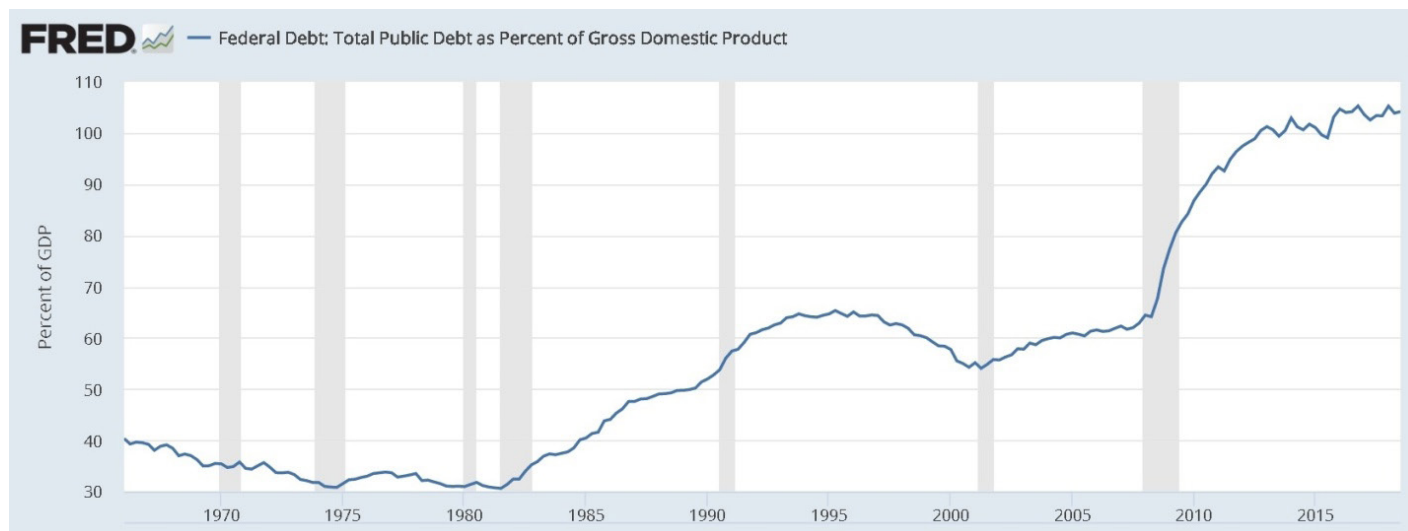
Wilson would be turning over in his grave if he could see how much the nation is "controlled by its system of credit" now. We can use the Fed's charts to illustrate the ballooning national debt, which is currently approaching \$22 trillion:



*Courtesy: St. Louis Fed*

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It's gotten to the point where America as a nation owes more than it's producing. Again by the Fed's own admission, the debt-to-GDP ratio is over 100% now:



*Courtesy: St. Louis Fed*

**In one particularly noteworthy episode of American history, President John F. Kennedy signed Executive Order 11110, giving him the authority to strip the Federal Reserve Bank of its power to loan money to the federal government with interest. Furthermore, Executive Order 11110 gave the U.S. the ability to create its own money backed by silver.**

Kennedy was assassinated just five months later. The debate continues as to whether Kennedy's assassination is linked to his attempt to divest the Federal Reserve of its control over the creation of money. It is certainly notable that for the next half century, no U.S. president even came close to revoking the Fed's massive monetary powers.

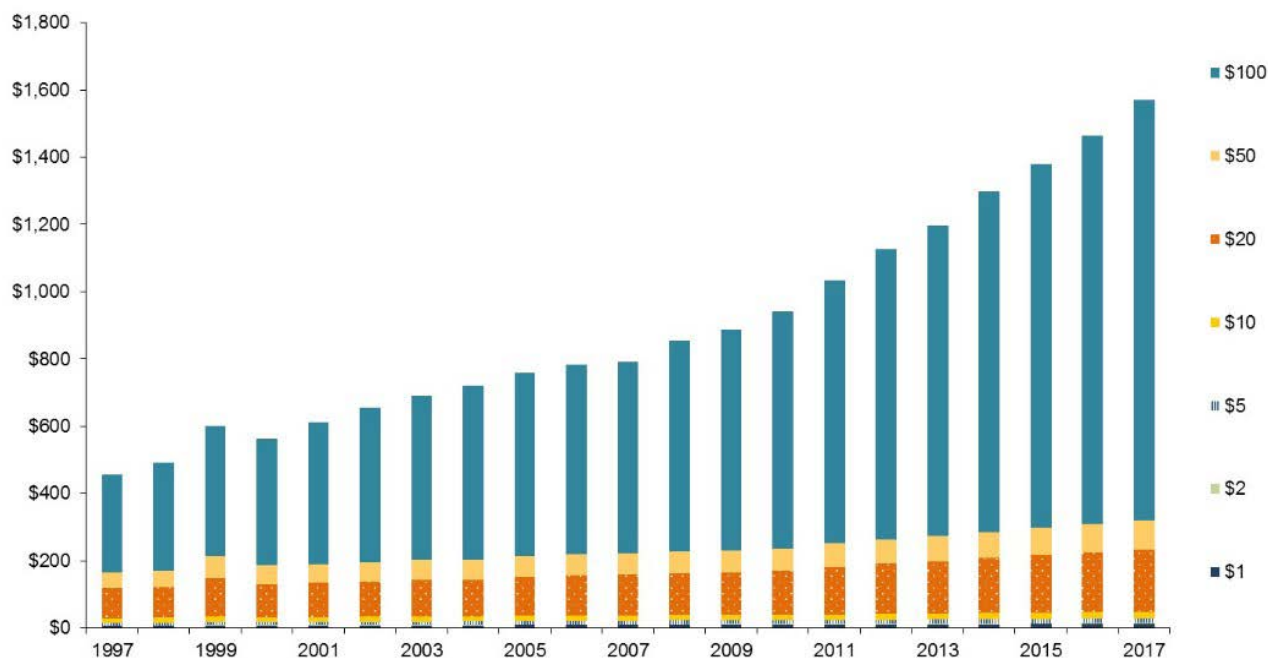
A few daring voices have called for an end to the Fed, however. Perhaps the most prominent and consistent voice has been that of Texas Representative Ron Paul, who wrote a book with the unmistakable title *End the Fed*. In the book, Ron Paul explains that the Federal Reserve "is immoral, unconstitutional, impractical, promotes bad economics, and undermines liberty."

Asserting that the Federal Reserve is inflating currency today at Zimbabwe-like levels, Ron Paul argues that "in the post-meltdown world, it is irresponsible, ineffective, and ultimately useless to have a serious economic debate without considering and challenging the role of the Federal Reserve."

**It's hard to argue with Ron Paul's contention that the Federal Reserve has contributed to an extreme level of inflation of the U.S. dollar over time. The currency in circulation has skyrocketed in terms of volume:**

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Value of Currency in Circulation\*  
(Billions of dollars, as of December 31 of each year)



\*Includes Federal Reserve notes, U.S. notes, and currency no longer issued, but does not include denominations larger than the \$100 denomination.

*Courtesy: federalreserve.gov*

And while most recent presidents haven't dared to clash with the Federal Reserve, President Trump has been unrestrained in his criticism of Fed Chairman Jerome Powell's hawkish tendencies when it comes to raising Treasury interest rates. For instance, on November 27, 2018, Trump **told** the Washington Post that he was "not even a little bit happy with my selection of Jay" and that "the Fed is a much bigger problem than China."

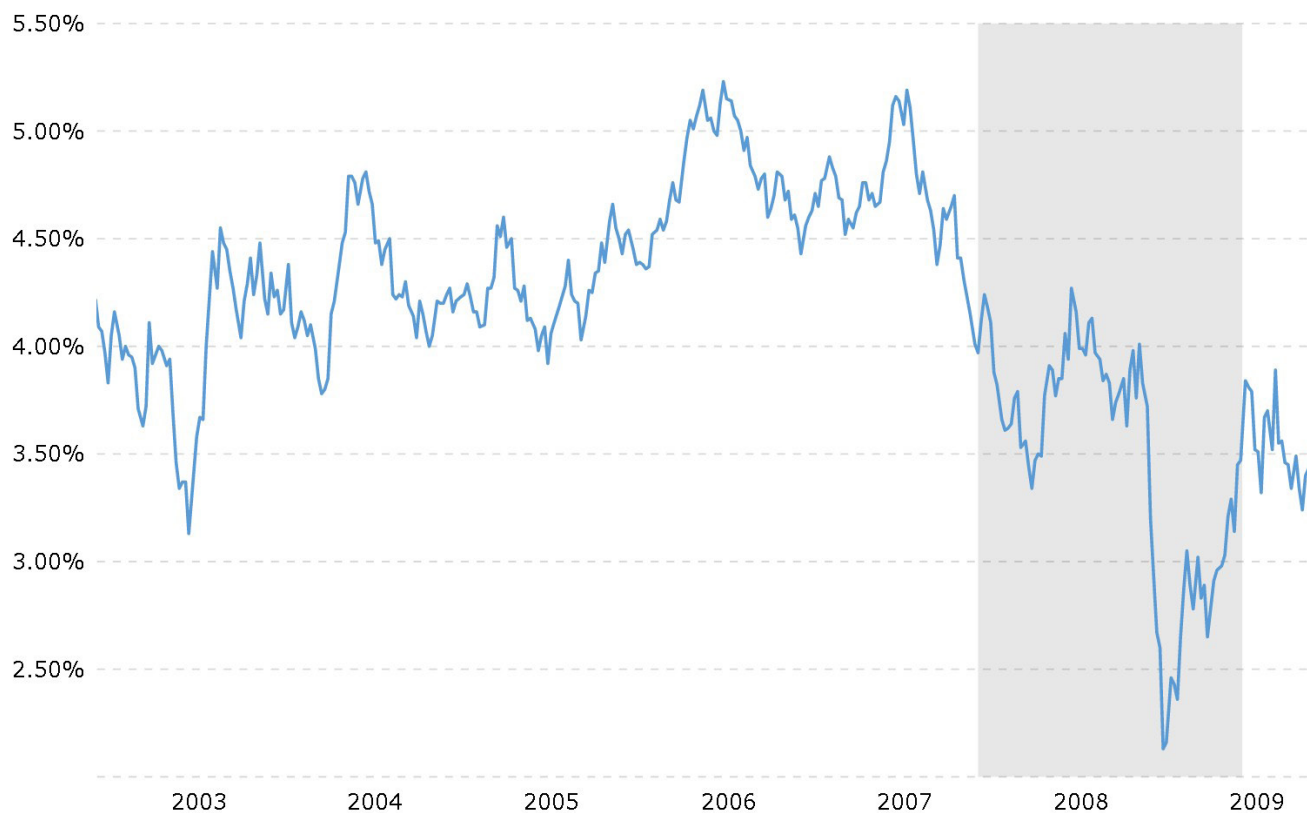
That's merely one example, as on October 16, 2018, Trump told the Fox Business Network that the Fed is his "biggest threat" and that he's not happy with what Powell is doing because the Fed is "going too fast" in regards to raising interest rates. To this day, the ongoing tension between the President and the Fed continues to simmer.

Perhaps Trump is concerned about the possibility of Fed tightening leading to a recession, and in fact, it is true that every time the Federal Reserve lowers interest rates over a sustained period of time, a recession follows. Former Trump economic advisor Stephen Moore echoed this concern, **telling** CNBC, "The Fed is what's going to put us in the next recession if they keep raising rates."

Moore's contention is indeed supported by the data. As an example, we can see what happened to the economy after multiple years of raising interest rates during the early to mid-2000s:



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*Courtesy: macrotrends.net*

It was only after the financial crisis that the Fed started to ease up. And here we are in 2019 with an aggressive Fed and an uncertain financial future for the nation – swimming in debt, printing money like there's no tomorrow, and helmed by a Federal Reserve that more and more citizens are ready to abolish for good.

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