

Values & Capitalism

The Morality of the Fed

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At the Cato Institute's recent 29th Annual Monetary Conference, the moderator introducing the famously-libertarian Congressman Ron Paul, pointed out that Paul is a medical doctor by profession. Having received his degree from Duke University, Dr. Paul has delivered over 4000 babies in his private practice, "hopefully all libertarians."

As a medical doctor, Ron Paul has taken the Hippocratic Oath to "do no harm." This charge seems to guide Dr. Paul's moral compass in his political positions as well. For some of his policies, this makes sense. Being anti-war certainly derives from not doing harm to peoples of other nations. Being against the welfare state, from not doing harm through the degradation of society. And while the will to do no harm can certainly be inferred to carry over to monetary policy as well, its application is far less intuitive. Fortunately for us less literate in monetary policy, Dr. Paul explains:

"I have come to a fair and balanced approach to the Federal Reserve. It is immoral."

It is immoral, he believes, because the Federal Reserve (Fed) actively misleads people and causes them harm by devaluing their means of living.

"There is a false trust in the dollar," he says, "a belief that the dollar can rescue anyone." As the world teeters on the edge of financial disaster, with many European nations needing pulled up from having already fallen over the edge, the idea of the dollar as our savior seems laughable.

And yet, according to Paul, the Fed propitiates this idea, despite its divorce from reality because it needs to believe in its own omniscience. Only if the Fed can control the fate of the dollar, can the Federal government justify its rampant spending.

"There is a gentlemen's agreement between the two parties" when it comes to spending, Paul explains with disgust. Central banking has "facilitated" and "enabled" the spending of the Federal government which he believes has gotten out of control.

In addition to creating a false faith in the dollar, the Fed's actions have been devaluing the dollar and thereby lowering the standard of living for most Americans.

"When it comes to the purchasing power, the dollar isn't doing very well... Cost of living is much more painful for some than for others. The cost of living is going up, and the standard of living is going down, this is a reflection of [the Fed's actions with] the dollar."

From Dr. Paul's perspective as both a doctor and a libertarian, the existence of the Fed actively misleads people and directly harms them. To him and like-minded critics of the Fed, this is immoral and unacceptable.

While Dr. Paul had some specific recommendations for what to do in place of the Fed, the main message to be remembered is that monetary policy should not be overlooked in a moral critique of the role of government.