

# The Dangers of an All-Powerful Federal Reserve

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*The Federal Reserve is the largest player in the world's largest economy.*

*It's a behemoth that affects us all.*

*According to Ron Paul, "The Federal Reserve is more powerful than Congress."*

*And it's on a runaway train*

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Image source: [www.online-accounting-degrees.net](http://www.online-accounting-degrees.net)

The editors at [Online Accounting Degrees](#) decided to research the topic of:

## **The Dangers of an All-powerful Federal Reserve**

The Federal Reserve is the largest player in the world's largest economy. It's a behemoth that affects us all.

- "The Federal Reserve is more powerful than Congress." Ron Paul[3]
- **And it's on a runaway train**
- Things cost 2230% more than at the Fed's inception.
- While there was a 48% **DECREASE** in prices in the hundred years before.

### **Filled with Fiat Money**

- Rapid expansion of the monetary base was used to purchase the toxic assets of the financial crisis. This enabled the reserve ratio to remain intact, in case there was a run on the banks. [6][7][8][9]
- With \$1.2 trillion lent to the top 30 banks in the world. [10]
- A money supply that is too quickly increased risks hyperinflation. A risk to all of us, and particularly the elderly, who are often on fixed incomes.

### **The Engineer could be drunk**

- Ron Paul's "Audit the Fed" or Federal Reserve Transparency Act has passed resoundingly in the house 327 to 98.
- But has been held up in the Senate for over a year.

## **Only no one knows**

- Using the Freedom of Information Act:
- Bloomberg LP requested information on toxic asset purchases by the FED
- The Federal Reserve Bank of NY responded that it is not "an agency" and thus the request is invalid.[11]

## **He's rich enough to do whatever he wants**

- The Fed is actually a private bank
- with 12 regional banks in
- Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, San Francisco
- Owned by 38% of the 8000 largest private banks
- Each required to keep 3% of their reserve as stock in the Fed.[12]
- Owned by other large private banks.

## **How money is created.**

- The federal government goes into debt
- -->asks the Fed for a loan to cover this money
- -->Fed trades money for federal bonds
- -->Sells bonds to private investors, banks
- -->Taxpayer money pays off interest on loan

## **Who makes money?[13]**

- Loan of \$30 billion:
- Government: +\$30 billion (from above)
- Taxpayers: -\$50 billion (to pay off loan with interest over time)
- Investors: +\$20 billion (from the interest)

## **He wrote a book on train wrecks.**

- Responsibilities of the Fed:
- **To Prevent**
- **Bubbles,**
- which are high volume of trades where prices vary considerably with intrinsic value.
- By definition: When there is a prolonged mismatch between supply and demand. Too much money is chasing too few shares.
- **But he was drunk then too.**
- 1.) There is no economic theory on how to identify bubbles before they happen.
- 2.) Quantitative easing causes more bubbles, inflation, and market stability in the long run.
- **Hold on...**
- **The Fed is subject to cronyism, political pressure, and lobbying. Let's hope all of our bank accounts don't start looking like our Nation's.**

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