

Book review

# Ron Paul takes issue with Federal Reserve

If you think you know why Ron Paul wants to "End the Fed" but you haven't taken the time to actually read his book, then you'd better think again. Second-hand accounts and pundit interpretations of his ideas simply do not do him justice.

Paul is convinced that the Federal Reserve is a mystery to most citizens; i.e., they hear about it constantly but do not have much of a clue about what it is or how it operates. He is further convinced that a lot of people do not understand how economic policy at the national level affects their daily lives.

"End the Fed" is Paul's attempt to enlighten the population on both counts.

The author is a medical doctor, multiterm congressman and staunch conservative who ran for president of the United States in 2008. His previous books include "The Pillars of Prosperity" and "The Revolution: A Manifesto," which was a No. 1 best-seller.

"End the Fed" is comprised of 15 fairly short chapters that provide a solid overview of the issues that are germane to his primary thesis. The book can easily be read and understood in one sitting by anyone with a rudimentary understanding of economics. Basically, Paul makes four distinct yet interrelated arguments for ending the Federal Reserve; he categorizes these arguments as philosophical, constitutional, economic and libertarian.

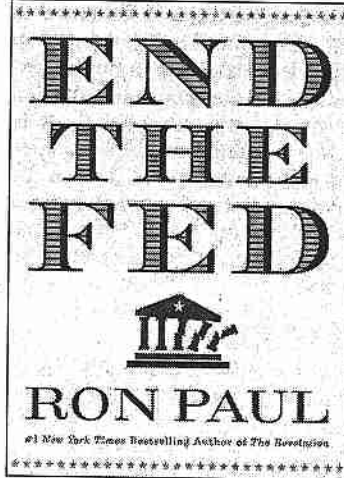
Paul's ideas have definite implications for the current financial situation, particularly the mounting federal deficit. "The ease of financing spending by the Congress with the help of the Federal Reserve makes huge deficits a foregone conclusion," Paul writes. "In the long run, the seductive way to finance government's extravagant spending ends badly."

Paul is at his best when recounting the history of banking in general and of the Federal Reserve in particular. The second chapter, "The Origin and Nature of the Fed," is perhaps the most interesting 20 pages of the entire book. "The ostensible impetus for the creation of the Federal Reserve was the banking panic of 1907," Paul explains. "A point we can learn from this event and every other banking panic is U.S. history is that crises have always led to greater centralization."

"The New Deal did not end the Depression," he adds. "Unemployment was as high before World War II as it was in 1932, and incomes and productivity had actually declined."

Paul feels that historically the Federal Reserve has actually served to exacerbate economic volatility as opposed to exerting a stabilizing force. And with reference to the "too big to fail" sentiment popular among many legislators, Paul argues that "... bank failures are no more to be regretted than any other business failures."

Moreover, he is skeptical of



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the motives of those who have a vested interest in financial institutions. "What the largest banks desire is precisely what we might expect any large corporation to desire: privatized profits and socialized losses," he observes.

Paul is especially critical of Alan Greenspan, the former chairman of the Federal Reserve. As many readers will recall, Greenspan exerted an unprecedented influence over the financial landscape of the United States during the late 1990s and early 2000s. His comments routinely caused the stock market to move up or down as investors made key decisions about whether to buy or sell based solely on his interpretation of the current state of affairs.

With respect to Greenspan's actions in the aftermath of 9/11, Paul asserts that "Greenspan aimed the gun at the terrorists and shot the economy in the foot instead. It was within Greenspan's control to have constructed a better policy. He made terrible mistakes."

Paul honestly believes that the economy would function much more efficiently and fairly without the Fed. "People worry what would happen in a world without the Federal Reserve," he speculates. "My answer is that you would enjoy all the privileges of modern economic life without the downside of business cycles, bubbles, inflation, unsustainable trade imbalances, and the explosive growth of government that the Fed has fostered."

Paul accentuates this point by noting that "prosperity and social well-being are never a consequence of government's running the economy or regulating personal behavior." Even when the reader does not agree with Paul's central premise, it is difficult not to find his prose engaging and his perspective intriguing.

So take an afternoon and read "End the Fed." You will be hard pressed to disagree with the notion that he offers a refreshing alternative to the status quo when it comes to economic policy.

— Reviewed by Aaron W. Hughey, Department of Counseling and Student Affairs, Western Kentucky University

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