

Good example of essay on an independent federal reserve

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The case for the Federal Reserve to be independent from political influences is a much discussed one. There is a strong opinion that the power to control the monetary policy should not be in the hands of any group, no matter how wise and knowledgeable they are, and the very idea of an entity able to emit money not fully backed in gold is sometimes regarded as unconstitutional. However, assuming that there is a need for a central bank able to print money at will and control the interest rates in the country, its independence from political forces seems to be preferable.

The ability to print money gives its wielders a power that unbalances the market to their benefit. Those who create money progressively dilute its value. Every time a new batch of money goes out, more goods and services are bought with it at the current price, creating a sensation of prosperity, but as money spreads people end up buying products at inflated prices. That is why inflation is considered a form of indirect taxation, since the Government obtains real resources, and people only get more bills.

Should this ability fall under the influence of the executive power would certainly violate the constitutional principle that limits it to only spend money appropriated by Congress. Furthermore, those who are elected for public offices would find it tempting to use the power to print money in their favor, as they could elevate public spending right before elections to sway voting tendencies favorably to them by pursuing policies of excessive money growth. That same ambition would discourage them from taking any corrective action after elections when the effects hit.

The Federal Reserve is an institution that has a great responsibility, and the people who run it should act in the public interest. Having any elected official

in control of it, such as the president or congressmen, could lead to irresponsible fiscal policies driven by political interests.

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