

ROGER THONEY FOR U.S. SENATE

www.rogerthoney.com

PO Box 76492, Highland Heights, KY 41076

Email: rthoney@fuse.net; Phone & Fax: 859-781-5777

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Position on the “End the FED” Movement

I support auditing the FED and releasing the results to the public because markets work better (more efficiently) when participants are fully informed. I am open to suggestions on how the FED could operate better. However, I will not support abolishing the FED until those who promote this action tell us with what system they will replace it; explain to us why that system will be better than the one we have now; and provide enough specific detail so that I can review and critique it. If we abolish the FED, then who will control the money supply? Who will control the gold supply and the gold-dollar exchange rate if we back our money with gold? I discuss these questions and more in the white paper *The Declining Dollar* on www.rogerthoney.com.

Good engineers follow the maxim, “Do not make a change to a system unless you understand how that change will propagate throughout the system.” This requires understanding how the system works. Those who advocate abolishing the FED should follow this maxim also. Show us that you understand the monetary tools available to the FED; show us that you understand the many sources of inflation; and show us that you understand how exchange rates are determined. If we ever want to solve our economic problems, we must stop promoting incomplete, politically- or selfishly-motivated solutions. Incomplete solutions can generate more problems, or unintended consequences, than they solve.

Some are concerned that the FED’s growing balance sheet may fuel monetary inflation when the money works its way into the economy. Those who promote this fear of inflation “conveniently” ignore pertinent aspects of monetary policy. ***The FED can take money out of the economy as easily as it puts it in by increasing the reserve requirement on banks.*** The FED now pays interest on bank reserves, so this can be done with little harm to banks. Note that many who promote this fear make money from the rise in the price of gold by selling gold and gold investments or by selling advertising, newsletters, or books. Note also that the price of gold will skyrocket if we were to switch to a gold standard. This provides the basis for speculation in gold.

Some seem to think that the FED is the only source of inflation in an economy. This is the strict monetarist view; but, in reality, there are sources of inflation that are outside the control of monetary authorities. Fiscal policy (government spending and taxation) can be, and is, inflationary (see *The Declining Dollar*). In addition, a steadily rising cost of government regulation and litigation will produce inflation. The OPEC-driven hyperinflation in oil prices from 2003 through 2008 triggered our current economic recession. Rising health insurance premiums driven by paying for increasing amounts of free care through prices also have fueled inflation over the years (see *The Freedom Plan for Health Care Finance Reform*). U.S. monetary authorities have no control over these sources of inflation.

Some believe that monetary policy underlies the decline in the exchange rate of the dollar relative to other currencies. The exchange rate of the dollar is determined by the interaction of supply and demand in the foreign exchange markets. Movement in the “value of the dollar” is fundamentally driven by foreign trade and investment flows. A trade deficit increases the supply of dollars outside our country and puts downward pressure on the dollar. Exports and foreign investment in the U.S. increase the demand for the dollar. Note that when a manufacturing facility in the U.S. that was producing for domestic consumption and export moves to another country, the formerly domestic production becomes an import and we lose the export. The loss of manufacturing jobs over the years has contributed greatly to our large trade deficit and the decline in the dollar. See *The Declining Dollar* for more discussion.

Until proponents of abolishing the FED propose complete alternatives and show us how they are better, I can conclude only that “end the FED” is just another movement designed to further promote the sale of gold and

gold-related products such as advertising, newsletters, and books. Gold is a speculative investment much like the dotcoms of the 1990s and tulip bulbs in Holland centuries ago. The demand for gold is pumped up by fear- and crisis-driven talk of monetary inflation, the declining value of the dollar, out of control government spending, calls for a gold standard, etc. coupled with heavy advertising to spur buying. In contrast, corporations do not have to advertise like this to sell their stocks and bonds. This speaks volumes.

Our country is in the midst of a societal transformation to socialism/communism; and we are on the verge of losing our freedom. This transformation has been taking place within the Courts and Congress over the last 6 or so decades. Instead of engaging the socialists, our "leaders of liberty" are chasing after the FED. They are "barking up the wrong tree," diverting attention from the socialists' acts within the Courts and Congress. If I did not know better, I would say that they are allied with the socialists. I know this is not the case, but the effect is the same. Socialists want to divert the opposition's attention away from their transformation activities. We could find ourselves living in a socialist/communist society with a gold standard if we follow their lead.

Why are they chasing after the FED instead of engaging the socialists? Is it because they are making more money chasing after the FED? The "end the FED" movement is the political right's version of "global warming." It is used as a vehicle to promote the self-interest and personal gain of its leaders by spurring speculation in gold. Think about this: What would the price of gold be without all of the fear- and crisis-driven advertising? Where would the global warming movement be without the fear- and crisis-driven propaganda?

We need new, selfless "leaders of liberty," much like George Washington, who will put the interests of the people and liberty above all else. These principles are embodied in the Jefferson Republicans. In keeping with these principles, I have dedicated our campaign to organizing the Second American Revolution to defeat the socialist transformation movement and to "put the people first" in Washington, to restore America's strength in the world, and to restore individual liberty and economic freedom in America. So far, I am the only candidate with a plan to achieve this. Other candidates just talk about liberty to raise money.

Those who value individual liberty and economic freedom have a very important decision to make in this election. Do you want to support a movement to restore liberty in the United States or oppose it? When campaigning for another candidate in this race, ask yourself "Why am I working against a candidate who is trying to implement a plan to restore liberty?"

I invite you to join the movement to "put the people first" in Washington, to restore America's strength in the world, and to restore individual liberty and economic freedom in America and ask for your help. America's brightest days still lay ahead of us.

Sincerely,

Roger Thoney

Roger is an economic troubleshooter. He develops economic plans that will create more jobs and reduce the cost of living to help those who struggle to make ends meet. He is a registered professional engineer in Kentucky with master degrees in electrical engineering, business administration, and economics. He also has taken about 30 PhD-level courses in management, finance, and economics to develop the broad background needed to develop effective economic solution plans. His solution plans are based upon a practical understanding of business, economics, and finance, not upon theory or ideology; and his research and solution plans to date have been self-funded.