In response to pressure from Wall Street, the White House and central banks in Europe, the Federal Reserve last week drastically cut interest rates for currency swaps to benefit troubled European banks. This will flood world markets with more dollars and will soon mean rising prices for every American at the grocery store. This extra liquidity will temporarily ease the cash crunch for irresponsible bankers, but in the long run it will make the situation much worse for consumers all over the world. Equities markets registered big gains at the news, but only for a day. Make no mistake - this is not capitalism, and this is not how a free market operates. In a free market, bankruptcies happen, even to large banks. We must remember, free markets are the true and best regulators of financial mismanagement.

By contrast, under our current form of special interest corporatism certain businesses are granted too-big-to-fail status and are never allowed to go bankrupt. They keep profits generated during the good times generated by the Fed's monetary inflation, yet their losses are socialized through inflationary bailouts. This means you and your family eventually pay for the Fed's decisions because every dollar you earn is worth less. Few people make the connection that they have enriched bankers in Europe through doubling and tripling prices on milk, eggs, gasoline, and clothing, but that is exactly what is happening. The increased pace and size of these types of desperate financial maneuvers means price inflation will hit sooner and far too fast for wages to keep up. This is how the middle class gets wiped out, as has happened so many times in the past when fiat money fails.

The Fed's latest actions in cooperating with foreign central banks to undertake liquidity swaps of dollars for foreign currencies is just one more reason why Congress needs enhanced power to oversee and audit the Fed. Under current law Congress cannot examine these types of arrangements. Those who would argue that auditing the Fed or these agreements with central banks harms the Fed's independence should reevaluate the Fed's supposed independence when the Fed bails out Europe so soon after President Obama promised US assistance in resolving the Euro crisis.

Rather than calming markets, these arrangements should indicate just how frightened governments around the world are about the European financial crisis. Central banks are grasping at straws, hoping that flooding the world with money created out of thin air will somehow resolve a crisis caused by uncontrolled government spending and irresponsible debt issuance. But those governments and central banks never grasp that it is their own monetary policies that allowed European banks to become so wantonly overleveraged in the first place. If those banks need liquidity, they should generate it the old fashioned way: by attracting depositors. If they cannot do so, they should be allowed to fail. Congress should not permit this type of open-ended commitment on the part of the Fed, a commitment which could easily cost American taxpayers trillions of dollars. These dollar swaps are purely inflationary and will harm Americans as much as any form of quantitative easing.

Americans deserve sound money that cannot be manipulated and created out of thin air by central planners who deceitfully promise prosperity. Fiat money caused this European crisis and the financial crisis before it. More fiat money is not the cure. The global fiat currency system has proven itself a failure. We need real monetary reform. We need sound money.