



Bernanke's Public Relations Offensive

Federal Reserve Chairman Ben Bernanke must know he's in trouble. This week he completed a "town hall"-style meeting for PBS television to promote the Federal Reserve and suppress what appears to be overwhelming congressional support for an independent audit of the Fed.



The Federal Reserve Bank is in charge of setting interest rates, and its [suppression of interest rates to historic lows beginning in early 2000](#) made it almost singlehandedly responsible for the housing bubble, and therefore its subsequent bust. The Fed has also doubled the supply of money in circulation over the past year and has lent out trillions of dollars to businesses and foreign central banks without any detailed disclosure to Congress or the public.

Thus, it's not a surprise that a [recent poll](#) found that only 30 percent of the American people thought that the Federal Reserve was doing a "good" or "excellent" job. That's about the same percentage of people who supported George W. Bush in his waning years as president, and it ranks the Federal Reserve Bank lowest among a survey of nine government agencies. Americans rate the Fed even lower than the Internal Revenue Service. It wasn't always bad news for the Fed. As many as 53 percent of Americans thought that the Fed under Alan Greenspan was doing a good job as it was blowing up the housing bubble back in 2003.

Rep. Ron Paul's legislation to have the General Accountability Office conduct an independent audit of the Fed ([H.R. 1207](#)) has 276 cosponsors, which is about two-thirds of the entire House membership. Recently introduced companion legislation in the Senate ([S.604](#)) already has 19 cosponsors.

Bernanke [told PBS viewers](#) that he opposed Rep. Paul's bill because "I don't think that's consistent with independence. I don't think the American people want Congress running monetary policy. That's exactly what (the bill) would do." Actually, it wouldn't. It would simply tell Congress where the money is going, and where it has gone.

But somebody should tell Bernanke that the Constitution requires Congress to run monetary policy. In fact, the Congress is given exclusive power to regulate the value of money under [Article I, Section 8 of the Constitution](#):

The Congress shall have power ...to borrow money on the credit of the United States... [and] to coin money, regulate the value thereof.

Bernanke added that "there's a lot of evidence that when politicians make monetary policy, you don't get good results." Of course the Federal Reserve was the body overseeing the interest and credit policy that got us into the mess we find ourselves in today. Bernanke himself said to PBS viewers that his



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monetary policies brought us up to the brink of “the worst financial crisis, certainly since the Great Depression, and possibly including the Great Depression.” Suddenly, not getting “good results” doesn’t sound so bad.

One question fielded on the PBS show asked about the Federal Reserve’s current attempts to lend more money and loosen credit markets after a bubble and bust based upon too much borrowing and too easy credit. The viewer asked: “Isn’t that like giving a drunk a bottle of whiskey and calling him cured?” Bernanke had an answer ready at hand. “We need to have a middle course,” Bernanke replied, by which he explained “we’ve cut interest rates — the short term interest rates, the ones we control — all the way to zero.” Replies like this perhaps explain the current economic boom/bust cycle and the Fed’s increasing unpopularity.

Another reason for the Fed’s increasing unpopularity is arrogance and indifference to Congress. Ron Paul, a Texas Republican and former presidential candidate who is a philosophical libertarian, is not the only member of Congress who has had enough of the Fed. Democrat Alan Grayson of Florida, who also serves on the House Financial Services Committee, has had a number of sharp conversations with Fed leaders about the Fed’s extravagance in lending without accountability. Back in January, Grayson interviewed Fed Vice Chairman Donald Kohn, and had this [exchange](#):

Grayson: If you put out \$50 billion to Credit Suisse, the taxpayers need to know that.

Kohn: I’d be very concerned, congressman, that if we published the individual names of who was borrowing from us no one would borrow from us. The purpose of our borrowing is not to support individual institutions but to support the credit markets.

Grayson: Has that ever happened? Have people ever said “We will not take your hundred billion dollars because people might find out about it?”

Kohn: We have only said we will not publish the names of the borrowers, so we have no test of that.

Grayson: Well, what gave you the authority to say that? Isn’t that something we should be deciding, not you?

Kohn: I think you, uh, gave us the responsibility in the Federal Reserve Act to oversee the stability of the financial system through our lending facilities to be the lender of last resort and we are trying to execute that to the best of our abilities.

Grayson: And you are saying that entitles you to keep secret the expenditure of \$1.2 trillion — \$4,000 for every man, woman and child in this country?

More recently, Grayson asked Fed Chairman Bernanke which foreign central banks the Fed had lent \$500 billion to, and it became an Internet sensation:

“The Fed needs independence in making monetary policy,” Bernanke explained as a reason to avoid the Ron Paul audit bill. “That keeps inflation low.” Of course, America hardly knew inflation before the Federal Reserve was created. The United States experienced mild deflation from the Founding era until the Fed was created in 1913. (Try it, using [this internet inflation calculator](#)) Ever since then, not a generation has passed without the dollar diminishing in purchasing power. Since 1913, the dollar has lost 95 percent of its purchasing power. A nickel bought more in 1913 than a dollar buys today.

Bernanke may be short on facts, but his recent “charm offensive,” as the [Christian Science Monitor](#) [put it](#), is already paying off in the form of favorable editorial reviews from establishment newspapers such



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as the [Washington Post](#), *Boston Herald* and [Wall Street Journal](#). Bernanke has his big guns out pushing the public relations shtick, but it's far from certain that any significant number of Americans will be swayed by an agency dedicated to keeping secret transactions of trillions of taxpayer dollars.

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