Fed Wages PR Battle for Power, Secrecy

After hiring lobbyists last year to protect its interests amidst increasing public and congressional scrutiny, the Federal Reserve banking cartel is stepping up the fight to keep and possibly expand its regulatory regime while maintaining its secrecy. This month, regional Federal Reserve Bank chiefs publicly pushed the issues in what the New York Times described as a "public relations offensive."

The Fed and the financial system it rules are undoubtedly about to undergo some sort of transformation in the near future. The question now is; what will change? Congress has been entertaining various proposals for "financial regulatory reform," including the creation of a new regulatory government agency that would assume some of the cartel's current oversight powers. A more recent plan that is reportedly gaining support in the Senate would create the new regulatory authority, but place it under the Fed.

Another measure, which has received massive public and congressional support, would allow the Government Accountability Office to audit the Fed. But, the central bank and its allies are putting up a strong fight in a bid to allow the institution to maintain its authority and to prevent transparency.

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In a speech at the Institute of International Bankers last week, president Jeffery Lacker of the Richmond Federal Reserve Bank claimed the unaccountable body should keep its powers and that it was being used as a "scapegoat" to deflect fury over the bailouts. "As long as the Federal Reserve is responsible for discount-window lending, it makes no sense to diminish the Fed's robust role in the supervision of a range of banking institutions, from large to small," he said.

Dallas Fed president and C.E.O. Richard Fisher appeared before the Council on Foreign Relations and made a similar argument. "We need regulatory and supervisory powers that lead to policy that ensures a sound financial system, capable of most efficiently channeling monetary policy actions into the real economy," he said. "We need to keep monetary and regulatory authority united, so we can work together in the interest of the entire financial system."

Fisher told the powerful globalist organization that he was "more convinced than ever" that central bankers operate best when insulated from "political passion." He called the central bank the "heart" of the economy, and argued that stripping it of its regulatory powers would be akin to ripping out the economy's heart. Talk about drama. "So here's the message for those who would peel away regulatory policy from the Fed. We depend on our regulatory arm to provide in-depth, hands-on assessments to guide us as we perform our duty."

The Dallas Fed chief also called efforts to strip the bank of its regulatory powers "seriously misguided," while attacking recent efforts to audit the institution. "The Fed is the only business in America that I know of that publishes a public accounting of its balance sheet every week," he claimed, omitting the fact that the most crucial information is still shrouded in mystery.

Fed chief Ben Bernanke has also been battling to preserve the central bank's sweeping powers and suspicious secrecy. "We have been conducting intensive self-examination of our regulatory and supervisory responsibilities and have been actively implementing improvements," he claimed last month, hoping to persuade Congress not to remove the banking cartel's authority. Bernanke has also repeatedly and publicly denounced efforts to audit the Fed.

Other central-bank supporters have jumped into the fray as well. "The Federal Reserve needs a broader regulatory focus to ensure that for both its central bank and regulatory functions it has a clear view of banks of all sizes, from all regions, and from differing types of communities," said a letter from a group of Fed allies including the Financial Services Roundtable and the American Bankers Association.

The issue of bank regulation has sparked intense controversy in recent months. And the current situation — where Fed member banks appoint the board of the institution in charge of regulating them — has been rightly criticized as ridiculous. "I always thought that the reserve banks, the way they appoint the presidents, was a conflict of interest," explained the Senate Banking Committee's ranking Republican, Richard Shelby. "They appoint their own regulator, and I'd like to knock that out."

Other legislators are more concerned with the secrecy. Congressman Ron Paul's Campaign for Liberty is encouraging members to combat efforts in the Senate to strip the "Audit the Fed" provision from the reform package. "Right now, a handful of Fed-loving U.S. Senators, led by Bob Corker (R-Tenn.), Richard Shelby (R-Ala.), Chris Dodd (D-Conn.) and Judd Gregg (R-N.H.), are reportedly working to rewrite from the Financial Reform Bill to strip out Audit the Fed and actually EXPAND the Fed's power over banks, lending and money," wrote Campaign for Liberty President John Tate in an e-mail to supporters urging them to contact their Senators to oppose the push.

Unconstitutionally allowing bank-appointed regulators to regulate banks through the Fed is a bad idea. But then again, so is allowing the federal government to unconstitutionally create new financial regulatory agencies in charge of more unconstitutional regulation. And while the Fed likes to hide behind the smokescreen of "independence" from politics, bailing out banks and other institutions without appropriations from Congress is clearly crossing the line from monetary policy into fiscal policy, even within their own false paradigm.

Legislators supporting secrecy and more power for the Fed are wildly out of touch with the nation and their constituents, not to mention the Constitution. And government agencies and quasi-governmental institutions like the central bank have no business lobbying for anything, let alone increased power and the preservation of secrecy. Congress should swiftly audit the Fed. And after the American people find out what has been going on, it should be promptly abolished. Instituting sound money is the best step that could be taken to ensure prosperity and prevent future economic calamity. And amidst the current heated debate on the role of the Fed, the time has never been better to accomplish it.

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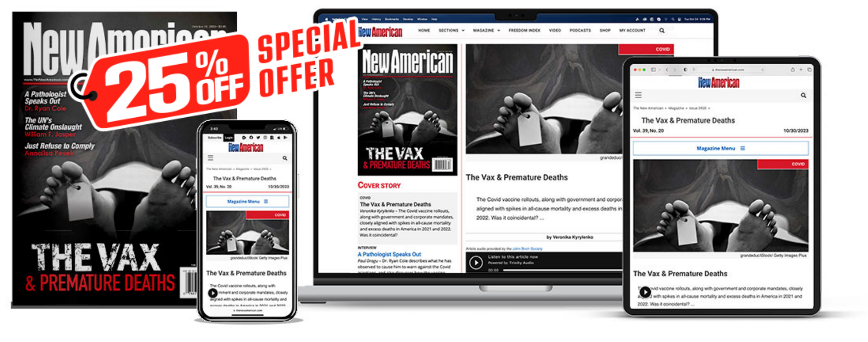

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