



Written by [William F. Jasper](#) on May 11, 2010

## Senate Caves to Fed Pressure, Waters Down Audit

Just before noon on Tuesday, May 11, the U.S. Senate agreed to a one-time audit of the Federal Reserve's emergency actions taken in response to the 2008 financial crisis. The approved audit, which Senator Bernie Sanders (I-Vt.) offered in an amendment to the larger financial regulatory reform legislation, is a much watered-down version of the earlier audit proposed by Sanders that mirrored the "Audit the Fed" legislation in the House sponsored by Rep. Ron Paul (R-Texas).



As reported earlier by *The New American* (see [here](#) and [here](#)), Sanders caved in to pressure by the Fed and the Obama Treasury Department, and on May 6 changed his amendment to call for a greatly weakened "audit" measure that Rep. Paul says is not a legitimate audit at all. Fed chief Ben Bernanke and his fellow bankers at the Fed, no doubt, heaved a huge sigh of relief, especially since over the weekend following the Sanders cave-in, the Fed agreed to hop on board the trillion-dollar bailout plan for bankrupt Greece and the crumbling euro. The Sanders "audit" would leave this and other secretive Fed operations involving trillions of Americans' dollars still in the unmonitored shadowy world that the Fed claims is necessary to protect its "independence."

On May 11, at 11:40 a.m., EST, the [Senate voted 96 to 0](#) for the Sanders watered-down audit. The amendment claims that its purpose is:

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To require the non-partisan Government Accountability Office to conduct an independent audit of the Board of Governors of the Federal Reserve System that does not interfere with monetary policy, to let the American people know the names of the recipients of over \$2,000,000,000,000 in taxpayer assistance from the Federal Reserve System, and for other purposes.

"The time is now that we have got to end secrecy at the Fed," [Sanders said](#) before the vote, still attempting to strike the pose of the courageous crusader. "This money does not belong to the Fed. It belongs to the American people, and the American people have a right to know where their taxpayer



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money is going." Unfortunately, because of Sanders' sellout amendment, the Fed will be able to continue operating in secrecy. The Sanders amendment provides cover for Senators who can now tell their constituents that they are holding the Fed's feet to the fire, when, actually, the central bankers will be allowed to continue raiding the Treasury, continue bailing out their Wall Street cronies, continue manipulating interest rates, and continue devaluing the dollar.

"I'm comfortable with the modified Sanders amendment," Jeffrey Lacker, president of the Richmond Federal Reserve Bank, [told reporters](#). Dr. Ron Paul, who has been crusading tirelessly for decades for an audit of the Fed, is not surprised that Federal Reserve officials are happy with the new Sanders amendment. In a May 10 statement, the Texas Congressman said:

The new language of the Sanders Amendment requires a one-time disclosure from the Fed of 13(3) facilities, foreign currency swaps and mortgage-backed securities. Basically, their sins of the past would be revealed and Americans would know more about who got bailed out by the Fed and under what terms. This would be good, but its not nearly enough.

Taxpayers are sick and tired of bailing out privileged, dysfunctional institutions that should be allowed to fail in order to stop their ability to wreak havoc on our economy.... It would be good to know what went on in the past, but what about accountability in the future? A one-time disclosure now will not do us a lot of good down the road when the cycle repeats itself and friends of the Fed find themselves in trouble again.

More importantly, agreements with foreign central banks are not touched by the new Sanders Amendment language. At a time when Greece, Portugal, Spain and other countries are experiencing dire financial crises and have their hands out to the international community, we need to know if our Federal Reserve is at all involved in bailing them out. As weary as we are of bailing out companies, the American people would not stand for bailing out entire countries. Our government is wasteful enough in its own affairs without contributing to the waste of other countries. Yet the Fed currently has the tools it needs to do just this, and to do it in secret.

If we cannot take away the Fed's ability to waste trillions of taxpayer dollars on failing companies and failing countries, at the very least, we can take away their ability to do this with no transparency or accountability to the American people.

Rep. Paul called on Americans to contact their Senators to urge support for an amendment for a full audit proposed by Senator David Vitter. The Senate voted on the Vitter amendment shortly after its vote on the Sanders amendment, rejecting the more serious Vitter audit by a vote of 62 to 37. (To see how Senators voted on the Vitter amendment, [click here](#).)

The Senate cave-in on the Sanders amendment makes it extremely difficult for Rep. Paul's audit legislation to go anywhere in the House. Even though his legislation (H.R. 1207) garnered huge bi-partisan support, with 319 co-sponsors, many of those co-sponsors will be tempted to take the easy way out, supporting the Sanders compromise that will enable them to claim they are for transparency and accountability, without having to buck the Fed-White House-Wall Street establishment.

However, the massive bailouts that threaten the dollar and our entire economic system are causing more and more outrage, and Members of Congress may find that the public will not be so easily pacified with symbolic gestures. The calls to "Audit the Fed" and "End the Fed" are bound to continue to multiply and amplify as the financial and monetary crises deepen.

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