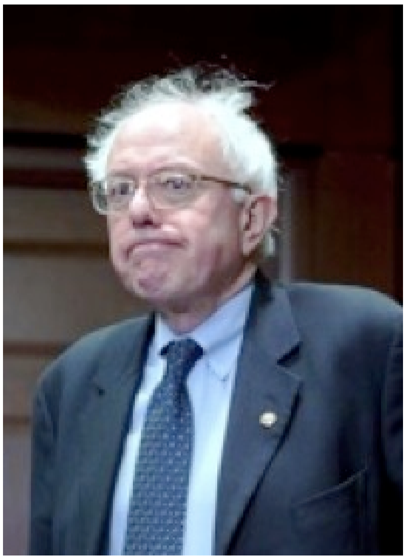
$Trillion Bailout of Euro, Greece Shows Need to Audit the Fed



The timing of the sellout by Senator Bernie Sanders (I-Vt.) last Thursday, May 6, on legislation to audit the Federal Reserve could not have been more auspicious — or more suspicious. After pledging for months that he was going to offer an amendment in the Senate identical to "Audit the Fed" legislation in the House (H.R. 1207) authored by Congressman Ron Paul (R-Texas), Sanders caved in to pressures from the Obama administration and the Federal Reserve.

In a last-minute switch, Sanders agreed to substitute a watered-down version of the audit as an amendment to financial reform legislation sponsored by Senate Banking Committee Chairman Christopher Dodd (D-Conn.). The new Sanders amendment would provide the administration, the Fed, and Members of Congress with a certain level of cover, allowing them to claim that they had supported auditing the Fed, while at the same time allowing the Fed to continue most of its operations in secret, beyond the scrutiny of Congress and the public. The effort to push the Sanders amendment through on a rush vote on May 6 failed thanks to the efforts of Senator David Vitter (R-La.), a fierce Fed critic, who insisted on a side-by-side vote of the Sanders sellout amendment with the original audit amendment. Those votes could come as early as Tuesday, May 11.

The Sanders flip-flop came less than 72 hours prior to the Federal Reserve announcing that it was opening a credit line to European central banks and the International Monetary Fund (IMF) to bailout bankrupt Greece and the crumbling euro. The massive bailout, which the Associated Press described as "a bold $1 trillion rescue by the European Union," buoyed world markets, but is sure to be a very temporary fix. The IMF will contribute $325 billion to the pot.

Where does the IMF get its money? Well, some 20 percent of it comes from the U.S. taxpayers, in the form of what is called the "quota" or "subscription" by the United States. That means that roughly $65 billion of the IMF's new "loan" to the EU will be underwritten by the U.S. taxpayers, who are already on the hook for trillions of dollars to cover bailouts and past spending by our own government. Treasury Secretary Timothy Geithner and Fed Chairman Ben Bernanke definitely do not want the details of this latest bailout to be exposed by an audit, which would only drastically swell the ranks of the growing Tea Party movement and stoke the fires of the "throw the bums out" attitude that is already causing havoc for incumbents.

More havoc is on the way, as the ongoing riots and unrest in Greece portend. Addressing the issue, Rep. Paul appeared on FOX News with Megyn Kelly over the weekend to explain that the Greece/Euro crisis was evidence that we have moved from a serious financial crisis to a much more serious currency crisis, one that is going global and will shake the dollar as well. As Megyn Kelly and Ron Paul both pointed out, the Fed is getting away with carrying out these enormous transfers of assets in secrecy because there is no audit process in place to monitor and challenge them.

On Monday, May 10, Dr. Paul appeared on Fox News with Stuart Varney to explain once again how it is not only the U.S. taxpayer who will pay for the euro bailout, but every consumer, who will pay for it with increased prices, as the bailout further accelerates the devaluation of the dollar. Rep. Paul mentioned that when he questioned Fed chief Bernanke in a recent hearing, Bernanke had said that definitely the Fed would not be bailing out Greece.

https://www.youtube.com/watch?v=_ZUOABPsqj4

Of course, Fed officials regularly lie, equivocate, evade, and dissemble during congressional hearings. But former Fed chief Alan Greenspan brazenly and proudly refers to this deception as "purposeful obfuscation" and "destructive syntax."

Bernanke and former Fed chief Paul Volcker were among the heavyweight lobbyists that put last-minute pressure on Sanders, sending letters to Senator Chris Dodd on May 6 warning that the kind of audit called for by Ron Paul would destroy the "independence" of the Fed. "A perceived loss of monetary policy independence," said the Bernanke letter, "likely would raise fears about future inflation, leading to higher long-term interest rates, a diminished status of the dollar in global financial markets, and reduced economic and financial stability."

The Volcker letter warned that the audit advocated by Ron Paul would "expose the policy-making process to greater political pressure, affect markets, and risk the release of sensitive information about particular institutions and relationships with foreign authorities."

In a Monday, May 10 statement entitled "Fed Audit Under Fire," posted on his weekly "Texas Straight Talk" column, Rep. Paul stated:

> It doesn't come as too much of a surprise that the measure to audit the Federal Reserve is coming under continuous fire from the central bank and its cronies. For the first time since the Federal Reserve was created nearly a century ago, they have hired an actual lobbyist to pound the pavement on Capitol Hill. This is a desperate effort to hang on to the privilege of secrecy and lack of accountability they have enjoyed for so long. Last week showed they are getting their money's worth in the Senate.
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> At the very last minute on the floor of the Senate, supposed compromise language was agreed to and substituted in the Sanders Amendment to the Financial Reform Bill. This language was acceptable to the administration, committee leadership, and to the Fed. The trouble is, while it is

> better than no audit at all, it guts the spirit of a truly meaningful audit of the most crucial transactions of the Fed. In fact, rather than still calling the Sanders Amendment an audit, maybe it should instead be called more of a disclosure at this point.
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> 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.
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> 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. Perpetuating these corporations at taxpayer expense is not just wasteful, it is actively harmful. 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.
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> 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.
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> 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. While the Sanders Amendment no longer contains a full audit, Senator David Vitter has introduced an amendment which contains the Audit the Fed language that passed the House last fall. The Senate must pass the Vitter amendment for full disclosure and full accountability going forward.

With the vote in the Senate possibly coming as soon as Tuesday, May 11, champions of genuine transparency are urging an all-out push to flood the Senate with emails, phone calls, and faxes to oppose the Sanders sellout amendment and support the Vitter amendment.

Thumbnail photo of Sen. Bernie Sanders: AP Images

To compose and send an online letter to your U.S. Senators on auditing the Fed, click here.