



Written by on November 20, 2009

Ron Paul's Audit the Fed Bill Advances

On November 19, the House Financial Services Committee advanced a bill that calls for the General Accounting Office to conduct a comprehensive audit of the Federal Reserve by the end of 2010.

A 43-26 committee vote rejected a substitute proposal offered by North Carolina Democrat Mel Watt. Its provisions would have sanctioned retention of the long-standing ban against congressional scrutiny of the Fed's monetary policies.

Despite opposition from committee chairman Barney Frank of Massachusetts, the measure written by Texas Republican Ron Paul survived its first test. Success came because of 313 House cosponsors and a huge outpouring of citizen backing. Yet Frank claimed that the proposed audit would "be seen as weakening the independence of monetary policy with consequent negative implications."



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Frank's opinion has regularly been buttressed by Fed chairman Ben Bernanke who urgently favors retention of the Fed's independence. Practically all opponents of the Paul measure pointed to the need for the Fed to continue operating without oversight. Former Fed research specialist Michael Feroli, now an economist with JPMorgan Chase, urged the Fed to "do whatever it takes to stop this from going forward and eroding confidence in the Fed's independence."

But it is precisely a loss of confidence in the Fed that has generated unprecedented support for opening up the central bank's books and supplying the American people with heretofore hidden information. The Fed certainly had a role in bringing on the current economic downturn. Chairman Bernanke's refusal to answer questions about the Fed's role has added more muscle to the growing demand for scrutinizing the Fed's books. If the Fed has nothing to hide, detractors ask, why do its leaders and supporters fear scrutiny?

Should the measure gain full House and Senate approval and a presidential signature (surely steep hills to climb!), the Fed will have to bare details about its emergency lending programs, bailouts of financial institutions, dealings with like institutions in foreign capitals, and the process it employs in setting interest rates. Chairman Frank has sought to calm the fears of Fed supporters by indicating that the Paul measure will be "revisited" when the full House considers the bill. Piggybacking the measure onto another bill, such as the proposed Financial Stability Improvement Act, might be one tactic to undo it. Without doubt, roadblocks will be erected to gut the bill, and the big guns seeking to preserve the Fed's vaunted "independence" will surely be trotted out as the measure proceeds through the legislative



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process.

Few supporters of our nation's central bank care to note that the creation of the Federal Reserve parallels a call in Marx's *Communist Manifesto* for "centralization of credit in the hands of the State, by means of a national bank with State capital and an exclusive monopoly." The Fed was actually pushed toward creation in 1913 by President Wilson's powerful and manipulative guru, Edward Mandell House, who earlier had written of his desire for "Socialism as dreamed of by Karl Marx."

But note that Marx sought a central bank "in the hands of the state." Those who created the Fed in 1913 went a huge step further and made it a private institution free of congressional scrutiny. Fed creators actually out-Marxed Marx by shielding it from examination. The result? Under its management, U.S. currency has lost 95 percent of its value, a trend that continues. The American people are being cleverly divested of their wealth. And power over what happens in our nation sits more with the Fed than it does with Congress. The American people need to know what the Fed has done and continues to do.

Congressman Paul has also introduced a measure to abolish the Federal Reserve outright. His recently published bestseller [End the Fed](#) provides reasons why management of the nation's economy should be terminated, fiat currency should be discarded, and commodity money reestablished. His efforts over many years, long considered extreme or even absurd by the establishment, have attracted enormous popular support as evidenced by the audit measure's 313 cosponsors.

What will happen as the audit bill moves through the congressional process is unknown. But the awakening of a large number of Americans to the secrecy and power of the Fed should already be considered a stunning victory for Constitution-minded Americans.



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