



Written by [Thomas R. Eddlem](#) on October 12, 2011

Republicans Bash Federal Reserve, Laugh With (Not at) Ron Paul

Minnesota Representative Michele Bachmann began with an attack on the federal government for creating the sub-prime market crisis through Fannie Mae and Freddie Mac subsidies, the Community Reinvestment Act (CRA) regulations, and "artificially low interest rates" through the Federal Reserve Bank.

Former House Speaker Newt Gingrich followed, launching into a vitriolic attack on the Federal Reserve Bank, and referring to "Occupy" protesters in various cities across the nation:



If they want to really change things, the first person to fire is Bernanke, who is a disaster as a Chairman of the Federal Reserve.... Bernanke has in secret spent hundreds of billions of dollars bailing out one group and not bailing out another group. I don't see anybody in the news media demanding the kind of transparency at the Fed that you would demand in every other aspect of the Federal government. And I think it is corrupt and it wrong for one man to have that kind of secret power.

Up next was Ron Paul, who [accurately predicted the housing and financial bubble as early as 2001](#). Paul has been a longtime Federal Reserve Bank critic and has blamed the housing bubble on federal intervention in the marketplace since 2001. Tumulty tried again, with the panel and crowd ending in uproarious laughter: "So Congressman Paul, where do you come down on this?" The laughter was probably in part due to the fact that the other GOP candidates were finally echoing what Paul had been saying for decades.

Paul replied, "Everybody who was right about predicting the bubbles were Austrian [school] economists. They said they were coming. And yet they are also saying — and I agree with them — that everything we are doing right now is wrong." The [Austrian school of economics](#) is the purist free market school, which calls for minimal government intervention in the marketplace and places a heavy emphasis against central bank creation of loose credit through manipulation of interest rates. Austrian school economists oppose corporate welfare and corporate bailouts.

Later in the Bloomberg and *Washington Post*-sponsored debate, Rep. Paul noted of the housing bubble, "It was glaring in our face. The bubble was doomed to burst. And it came about because of Fannie Mae, Freddie Mac, easy credit, and also the Community Reinvestment Act. Who got into trouble? The people who did the speculating? Wall Street? The derivatives market? They got the bailout. They got privileges. So what happened ... the middle class lost their jobs. They lost their houses. This whole system is all messed up." Rep. Paul advocated a free market economy without a Federal Reserve.

Rep. Paul noted that his efforts to have an audit of the Federal Reserve have revealed that the Fed has loaned tens of trillions of dollars — more money than the federal government spent since 2008 — to bail



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out private banks: "We have made some inroads on the Federal Reserve. We passed a bill last year. We got a partial audit of the Fed. We've learned a whole lot. They were dealing in \$15 trillion; five trillion went overseas to bail out foreign banks."

Paul later asked former Kansas City Federal Reserve Bank Chairman Herman Cain if he still believed that the Federal Reserve doesn't need auditing. "Do you still stick by this, or do you think it is important?" Cain claimed that he had never said he opposed an audit of the Federal Reserve. "I have also said, to be precise, I do not object to the Federal Reserve being audited. I have simply said that if someone wants to initiate that action, go right ahead. It doesn't bother me. So I've been misrepresented in that regard."

But Cain had actually opposed an independent Federal Reserve audit as recently as December of last year, [telling the Neil Boortz radio show audience](#) the following:

Some people say we ought to audit the Federal Reserve. Here's what I do know. The Federal Reserve already has so many internal audits it's ridiculous. I don't know why people think we're going to learn this great amount of information by auditing the Federal Reserve.... Here's the advice I've given to people who are worried about an audit of the Federal Reserve. Call them up and ask them! You can stop by and have one of their P.R. people or one of their public relations people explain to you how the Federal Reserve operates. I think a lot of people are calling for this audit of the Federal Reserve because they don't know enough about it. There's no hidden secrets going on in the Federal Reserve to my knowledge. And I tell people, we've got 12 Federal Reserve Banks. Find out which district you are in, call them up and go from there. *We don't need to waste money with another commission or an audit. That is not necessary because folks, we've got a lot of other problems we've got to worry about.* [Emphasis added.]

{youtube width="500" height="281"}uiAkeFJXwUk{/youtube}

Cain was also asked by a reporter, "Which Federal Reserve Chairman over the last 40 years has been most successful and might serve as a model for that appointment?" To Ron Paul's shaking head, Cain replied "Alan Greenspan." Of course, Greenspan was responsible for creating a big part of the housing bubble and its resulting financial crisis. But he had also been the Fed Chairman during Cain's tenure at the Kansas City Federal Reserve.

"Spoken like a true insider. Alan Greenspan was a disaster," Paul replied. "Certainly Alan Greenspan has ushered in the biggest bubble."

Photo of Ron Paul at GOP debate: AP Images



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