



The Fed: Defending the Indefensible

In defending the Federal Reserve against what CNBC considered to be “an unprecedented level of attacks,” former Fed governor Frederic Mishkin said it was because of the Fed’s inability to “articulate a clear message regarding its trillion-dollar monetary policies”:

Monetary policy is never easy. You’re always the whipping boy. The question [now] is the degree. Now you’re getting whipped with a little bit harder lash than usual. But you’ve got to make the tough calls....



The Fed can recover from this. It’s not over yet. But, boy, they’ve got a lot of digging [to do to get] out of the hole [they’re in] right now.

Although the credibility of the Fed has been questioned for years in some quarters, the first major crack in the wall took place in May, 2009, when Elizabeth Coleman, inspector general of the Federal Reserve, was directly and repeatedly questioned about the Fed’s actions by Rep. Alan Grayson (D-Fla.). Coleman’s inability to articulate any kind of explanation to Grayson’s persistent probing has been viewed [more than a million times](#) on YouTube and ended with Grayson’s acid conclusion: “I am shocked to find out that nobody at the Federal Reserve is keeping track of anything!”

As reported by the Daily Bell [at the time](#), “There is no substantive, regularized way for the Fed to recover from the battering [it took and] is taking in hearings, in blogs, and on YouTube every day ... the confrontation between Grayson and Coleman will come to be seen (in our humble opinion) as a watershed moment.”

The Daily Bell rejoiced that “there comes a time when the power of the leaders begins to be questioned by the masses of the led.” And that time is now.

The gathering momentum of Rep. Ron Paul’s (R-Texas) bill to audit the Fed, which garnered more than 300 supporters in a Democratic-controlled House was temporarily sidetracked courtesy of Rep. Barney Frank (D-Mass.), but is certain to be raised after the first of the year when Paul assumes chairmanship of the House’s Domestic Monetary Policy and Technology [subcommittee](#). Paul said that that committee in the past just dithered and concerned itself primarily with collectible coins and such but never had the fortitude to push the Fed for more disclosure. Even that initial ripple in the waters of discontent resulted in the “Open Letter to Congress and the Executive Branch,” signed by a host of Keynesian economists and other supporters of the Fed, defending the Fed and declaring that “the independence of U.S. monetary policy is at risk,” and that the Fed was the “foundation of U.S. economic stability.” This letter was apparently published in good faith and with a straight face.

And just a year ago *Time* magazine named current Fed chairman Ben Bernanke as “Man of the Year” with a long-winded congratulatory piece about the chairman’s response to the challenges of the Great Recession. The article failed to mention, of course, that the prime cause of the Great Recession was the



Written by [Bob Adelman](#) on November 23, 2010

same cause of the Great Depression — expansion of the money supply by the Fed — and also failed to mention that Bernanke, for all of his touted knowledge about the failings of the Fed during the 1930s, failed to see the Great Recession coming. In summarizing that article, Charles Scaliger [said](#), “The most that can be said of the Federal Reserve ... is that it has presided ... over the orderly debasement of the U.S. dollar and the gradual destruction of the U.S. economy.”

Mishkin’s surprise at the harshness of the Fed’s critics reflected a disconnect from reality. With the growth of the Internet and increased numbers of bloggers and websites (such as this one), knowledge and understanding of the Fed’s pervasive role in undermining the greatest economic system in world history is in full view, and there is little that the Fed itself or its defenders can do about it. The elites themselves are in a quandary. For instance, Senator Jay Rockefeller (D-W.Va.) [referred to the Internet](#) as a “fearsome, awesome problem,” while insider Zbigniew Brzezinski confirmed that “For the first time in all of human history, mankind is politically awakened. That’s a total new reality [for us].”

The last defense of a desperate man, or cabal, is the argument ad hominem, for which the best instant example is Jacob Heilbrunn’s [vitriolic attack](#) on those working to expose the machinations of the Fed. Calling those attempts to expose the Fed a “backlash from the right,” he refers to Ron Paul as “isolationist,” leading a “cult of bashers who ... see [the Fed] as working against American self-reliance and the free market, and destroying economic growth as it leads to the rise of socialism and eventually, to tyranny a la Nazi Germany and the Soviet Union.” He derides Paul’s book, *End the Fed*, as an “unlikely bestseller” calling for a private banking system. He belittles Paul’s push for such a system, that with it “all our economic woes will be miraculously cured.” And he warns that with Paul’s ascension to the chair of the House subcommittee that oversees the Fed, Paul could “impede the central bank’s ability to fulfill its crucial work of balancing interest rates, unemployment and inflation.”

The edifice is breaking apart in slow motion. The cracks, invisible to so many for so long, are finally beginning to appear. As the Daily Bell so aptly put it:

The Fed is suddenly, inconceivably, an institution fighting for its political life. This financial behemoth, the most powerful single entity in the world, has likely already begun to topple. But as it is with any figure of titanic proportions, the fall is ... silent to begin with, for contact with the ground has not yet been made.

Photo of Frederic Mishkin: AP Images



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