

Ron Paul's 'Audit the Fed' Bill moves to House

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The House oversight committee voted Wednesday to demand a broad audit of the Federal Reserve System by congressional investigators — a major move that lawmakers said is designed to bring accountability to the murky workings of the independent central bank.

The bill was sponsored by Rep. Ron Paul, the Texas Republican who turned the push for an audit into a powerful presidential campaign slogan and whose criticism of the Fed's monetary policy drew hundreds of thousands of voters into the political process.

It passed by voice vote, signaling the growing sense among lawmakers that the time has come for a full review.

“Clearly the Fed must be made too big to fail, and too big to fail requires a considerable amount of oversight,” said Rep. Darrell E. Issa, California Republican, who is chairman of the committee.

Federal law right now specifically prohibits such a broad audit, and opponents fear undermining the independence of the Fed.

The bill would direct the Government Accountability Office to complete a broad audit that presumably would include a peek at the Fed's decision-making and many of its lending policies.

The committee defeated an amendment sponsored by Rep. Elijah E. Cummings, Maryland Democrat, that would have prevented auditors from getting a look at the minutes of internal board discussions.

“This whole idea about ‘Well, we can't touch the Fed’ is baloney,” said Rep. Dennis J. Kucinich, Ohio Democrat. “We have to be able to have control over the Fed because it's controlling every aspect of our economy.”

The Federal Reserve consists of a board of governors and 12 regional banks, which act as lenders of last resort to the country's banking system.

Last year, a more limited audit by GAO found that the Fed repeatedly invoked emergency authority to expand its lending during the Wall Street crisis in 2008 and 2009, including major loans to prop up the housing market.

The audit also found that the Federal Reserve Bank of New York, which had a major role in the lending, did not have sufficient controls to prevent conflicts of interest for its employees.