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Auditing the Fed Moves Ahead

At a town hall meeting held in his Massachusetts district, House Financial Services Committee Chairman Barney Frank provided a surprising response to a constituent's inquiry about H.R. 1207, Rep. Ron Paul's bill calling for an audit of the Federal Reserve.

The veteran Democrat said a comprehensive bill including Ron Paul's "audit the Fed" measure "will probably pass in October" in the House. With 282 cosponsors (including every GOP House member), Ron Paul's bill evidently became too popular to be ignored any further.



If passed and then agreed to by the Senate, the bill would award power to the General Accounting Office to conduct the audit and then publicly report its findings. Begun in 1913, the Fed has never been audited during its nearly 100 years of managing our nation's economic life. Any suggestion that this privately run controller of America's currency and interest rates be subjected to proper scrutiny has been customarily scoffed at. "The Fed must be independent," say its defenders.

The secrecy and inflation-creating aspects of the Fed have become far more well-known to Americans over the past two years because of Ron Paul's efforts. But while movement toward an audit is a good sign, skeptics point to Frank's plan to rewrite Paul's measure and have it presented to the full House as part of a "financial regulatory package." Frank indicated further that he wants the package to create a "financial product protection commission." It remains to be seen whether Ron Paul and the 282 cosponsors of his bill will get what they want, and whether the other measures in the planned financial regulatory package will do more harm than good.

During the town hall meeting at which he made his surprising announcement, Frank did claim that he wants to curtail the lending power of the Fed but not disturb its independence. The powerful Massachusetts Democrat who has never been a fan of scrutinizing the Fed said that Fed Chairman Ben Bernanke startled him during a recent exchange by admitting that the Fed had "\$800 billion" it could lend. Frank said nothing about the Fed's power to create out of thin air untold trillions of dollars — far more than \$800 billion.

A companion measure in the Senate, S. 604, introduced by Vermont Independent Bernie Sanders, has attracted 23 cosponsors including ardent conservatives and determined liberals. Frank's willingness to move the Paul measure to the House floor will likely spur additional support in the Senate for the Sanders bill.

The earliest any audit of the Fed would be conducted would be December 2010.

Photo of Ron Paul: AP Images



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