

Last week a new bill was introduced in the Senate to audit the Federal Reserve. Some backers of my bill HR1207 and the existing Senate companion bill S.604 were a little miffed at this, but depending on how you think about it, this new legislation poses no great threat to our efforts.

With the economy in shambles, people are looking for answers - not just because of lost savings on Wall Street, but because of lost houses on Main Street. Because of the many problems we face, the Federal Reserve and its powers over the economy have come under scrutiny. This translates into a lot of political pressure on Congress. With all the House Republicans signed on as co-sponsors and over half of the Democrats, HR 1207 has enormous bipartisan support. It would be disingenuous for Washington not to embrace the principles behind this bill after all the promises for transparency. How can one credibly argue for more transparency in government in one breath and defend the secrecy of the Federal Reserve in the next?

However, there is still very powerful resistance to the disclosures that HR 1207 would require and efforts to weaken it will continue to pop up before this issue is settled.

The good news is that Washington is responding and the Federal Reserve has become the issue. Concerned Americans need to keep the pressure on by continuing to define what we want, and what we do not want.

One major concern is that HR 1207 constitutes some kind of power grab for Congress. Congress would not do a better job dictating interest rates or managing money supply growth than the Federal Reserve does for exactly the same reasons: Congress is not the free market. Any select group of people, no matter how wise and educated, simply cannot replace the wisdom of the market. HR 1207 does not seek to replace the wisdom of the Fed with the wisdom of Congress. That would be a giant step backwards. HR 1207 simply asks for full disclosure, and I am agreeable to allowing for a reasonable lag time to calm the fears that

Congress intends to dictate monetary policy.

What we do want, what we insist upon, is that no longer will decisions that carry so much economic weight be made in absolute secrecy. We want to know what arrangements the Fed makes with other governments and central banks. We want to know who is benefitting from the actions of the Fed and what deals are being made. The Fed is already reacting to pressure by scaling back its liquidity facilities and returning to more traditional monetary policy through direct asset purchases. With nearly \$800 billion in mortgage-backed securities on its books already, \$800 billion in Treasury securities, and no real limit to what the Fed can acquire, there is a tremendous opportunity for malfeasance. We need to know who the Fed deals with, what they buy, how much they spend, and who benefits. As good as any step towards Federal Reserve transparency is, anything less than full disclosure at this point is unacceptable.