

Audit the Fed Frequently Asked Questions

1.) Why audit the Federal Reserve?

The Federal Reserve is an enormously destructive and unaccountable force in both the U.S. economy and the greater global economy. Federal Reserve policies affect average Americans far more than fiscal, spending, and tax policies legislated by Congress. The Fed can put the American people on the hook for trillions by creating new dollars on its balance sheet to bail out favored institutions – without Congress' oversight and all in addition to our already outrageous national debt.

For several decades, the Fed has relentlessly increased the supply of U.S. dollars (both real and electronic) and kept interest rates artificially low. These monetary policies punish thrift, erode the value of savings, and harm older Americans on fixed incomes. The Fed's expansion of the money supply, combined with artificially low interest rates, creates terribly destructive cycles of malinvestment, which result in housing, stock market, and employment booms and busts that destroy lives.

While the Fed was created by Congress, current law prohibits Congress from fully auditing the Fed's monetary policy actions – the Fed actions that impact Americans the most. An entity that controls the value and purchasing power of the dollar should not be permitted to operate in the dark without oversight by Congress and accountability to the people. Audit the Fed (H.R. 24/S. 209) would bring much-needed transparency to the Fed by requiring a full audit.

2.) Isn't the Fed already audited?

Not fully. The Fed's financial statements are audited annually, but the Fed's monetary policy operations are exempt from audit. Congress' investigative arm, the Government Accountability Office (GAO), is currently prohibited by law from examining discount window and open market operations; agreements with foreign governments and central banks; and Federal Open Market Committee (FOMC) directives. It is precisely this information that should be made public.

The American people must know how and why Fed officials expand the money supply and set interest rates. It is not enough for the Fed to simply provide its updated balance sheet *after* crucial decisions and transactions already have occurred. Audit the Fed allows the GAO to audit the Fed's monetary policy operations and directs the GAO to report the audit results to Congress within a year of the bill's passage.

3.) Didn't the Dodd-Frank financial reform legislation passed in 2010 mandate a Fed audit?

Yes, but not a full or substantive audit. The audit mandated in the Dodd-Frank Act focused solely on emergency credit facilities, and only on procedural issues (such as the effectiveness of collateral policies, whether credit facilities favored specific participants, or the use of third-party contractors) rather than focusing on the substantive details of the lending transactions. Audit the Fed does not limit the focus of the audit.

4.) Hasn't the Fed already published details of its emergency bank lending?

Yes, but only partially. The Fed was required by the Dodd-Frank Act to disclose data from its emergency credit lending facilities created during the financial crisis. Most of the data on its other activities, such as open market operations and discount window lending, have only been published as a results of lawsuits – not because of Congressional action. Dodd-Frank requires this information to be disclosed going forward, but with a two-year time lag and with the GAO restricted to auditing only the procedural components of any programs. Audit the Fed grants the GAO and Congress access without special exemptions and ensures that ALL of the Fed's lending actions will be subject to oversight.

5.) Doesn't an audit harm the Fed's independence?

Nothing could be further from the truth. The Fed was created by Congress and remains subject to full oversight and regulation by Congress – up to and including abolishing it altogether! The Fed's hyped "independence" is largely a myth

created by Fed officials and its Wall Street/financial sector supporters who benefit from its lack of transparency. The Fed is independent from the Executive Branch (Treasury Department) but not from Congress. Audit the Fed does not change or set monetary policy; it merely grants Congress retrospective access to the information used to determine and carry it out, so Congress can properly understand, oversee, and evaluate the Fed.

6.) Don't foreign transactions need to be exempt from a Fed audit?

No. Given the Fed's involvement in creating dollar swap facilities with foreign central banks (peaking at \$600 billion in 2008), and the economic uncertainty spreading across Europe, the Fed's continued financial assistance to Europe should not be exempt from public accountability and Congressional oversight. Audit the Fed will bring transparency to the Fed's agreements with the European Central Bank and other foreign entities.

7.) What can I do to help pass Audit the Fed?

Contact your senators at 202-224-3121 early and often, urging them to call on Senate Majority Leader Harry Reid to hold a standalone, roll call vote on Audit the Fed, S. 209, or its House-passed counterpart (H.R. 24) during the 113th Congress' lame duck session. With the U.S. House voting 333-92 in September 2014 to pass H.R. 24 (the second Congress in a row Audit the Fed has received over 300 votes in the House), it is up to Senator Reid to prove he stands with the American people over Wall Street, the Fed, and the Fed's entrenched allies and special interests.

Visit CampaignForLiberty.org to learn more about our efforts to pass Audit the Fed. You'll also find materials there to hand out and a link to an online petition C4L will fax to the Senate demanding action.

If you're not already signed up, join C4L's email list and Facebook and Twitter pages to ensure you stay up to date on Audit the Fed.