



US House GOP Set To Give Fed 100th Birthday Political Spanking

By: John Shaw
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The House Financial Services Committee's Republican majority is prepared to celebrate the Federal Reserve Board's 100th birthday with a political spanking of sorts, as the panel discusses legislation Thursday that requires the central bank to craft a monetary policy "rule" and adhere to it except under dire circumstances.

The House Financial Services Committee is holding a hearing on the Fed at 10 a.m. ET Thursday.

The hearing is entitled, "Legislation to Reform the Federal Reserve Board on its 100 Year Anniversary."

The panel's witnesses are John Taylor from Stanford University and the Hoover Institution, Mark Calabria from the Cato Institute, Hester Peirce of the Mercatus Center at George Mason University, and Simon Johnson from the Massachusetts Institute of Technology.

The focus of the hearing will be on legislation called the Federal Reserve Accountability and Transparency Act.

According to a committee background memo, the legislation "requires the Federal Reserve to provide the Congress with a clear rule to describe the course of monetary policy."

The bill by Rep. Scott Garrett, the chairman of the Capital Markets subcommittee of the House Financial Services Committee, requires the Federal Reserve to conduct cost-benefit analysis when it adopts new rules.

A committee summary of the legislation says it would "enhance the Federal Reserve's accountability to Congress in the conduct of regulatory policy and requires transparency about the Federal Reserve's bank stress tests and about international financial regulatory negotiations conducted by the Federal Reserve, the Treasury Department, and the Federal Deposit Insurance Corporation. The legislation further requires the Federal Reserve to disclose the salaries of highly paid employees and requires those employees to abide by the same ethical requirements as other federal financial regulators."

The legislation is also expected to mandate audits by the Government Accountability Office of the Fed's compliance with the monetary policy rule it establishes.

The Fed would be allowed to set aside its guiding rule if market conditions require this course, but the chairman of the Fed would then be required to explain to Congress the Fed's reasons for setting aside its rule.

It is unclear when the full committee might vote on the Garrett bill and if House Republican leaders plan to bring the bill to the floor of the House this year.

The House GOP legislation is likely to be ignored by the Senate.