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Voters Back Auditing the Federal Reserve

By Will Dobbs-Allsopp

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More than three-quarters of voters say the Federal Reserve should be subject to an audit by the Government Accountability Office, according to recent polling data. But almost half of respondents are unsure whether the GAO already examines activities at the central bank.

The poll comes amid a period of heightened congressional scrutiny of the Fed's independence. Last month, Sen. Rand Paul (R-Ky.) introduced legislation commonly referred to as "Audit the Fed," which would let lawmakers direct the GAO to conduct comprehensive examinations of the bank's activities. The measure, S. 264, has one Democrat among its 31 cosponsors.

Federal Reserve Chair Janet Yellen will testify before committees in the House and Senate, today and tomorrow, to provide the bank's semi-annual monetary policy report to Congress.

The fact that 81 percent of registered voters think the Fed should be audited by the GAO isn't surprising, said Philip Wallach, a fellow at the Brookings Institution.

"Auditing anything sounds like good governing hygiene to people," he said yesterday in an interview.

For Mark A. Calabria, director of financial regulation studies at the Cato Institute, a large portion of voters will always back this kind of oversight.

"There is a base level of support of people who think that federal audits are appropriate and necessary regardless," he said yesterday in an interview. "To me, the No. 1 driver about how people feel about the Fed is the state of the economy. Certainly the most effective thing in terms of reducing support for a Fed audit would be an improving labor market."

Federal Reserve and White House officials oppose Paul's bill, saying it would politicize important monetary policy decisions. Calabria, who is in favor of a Fed audit, said the measure's effects have been exaggerated, both by its advocates and its opponents.

"As somebody who worked on the Hill, I don't recognize the GAO these people are talking about," he said. "If they're lucky, five people read their report and it's rather bland."

Wallach, the author of an upcoming book about the 2008 financial crisis, agreed.

“I don’t really understand the Fed sympathizers who say this will be any significant turning point—that seems like a symbolic fight,” he said. “Even if it passes and there is some political jockeying over a report the GAO produces, it’s hard for me to see how that’s a game changer.”

Calabria said there is a general unease about the Fed’s actions during the 2008 financial crisis. “You had a lot of people saying, ‘Wow I didn’t know the Fed could do all these things,’” he said. “It was a real wake-up call for the public that the Fed has a vast amount of power beyond just steering the economy and setting interest rates.”

There has been bipartisan support in Congress for an Audit the Fed proposal in the past. In September, the House passed a version of the bill 333-92, with 106 Democrats voting in favor of the measure. That same level of bipartisan backing is evident among voters. Respondents’ political affiliation had almost no effect on the poll’s results.

If another Fed audit bill reaches the floor again, the optics surrounding the debate would make it likely that most lawmakers would vote for it, Wallach said. Otherwise, he added, a legislator’s campaign opponent would have a clear line of attack in the next election by saying, “This member voted against auditing the Fed because they want these monetary, secret overlords managing everything.”

Public opinion, however, may not be as entrenched as the numbers indicate. Calabria said that the percentage of voters, almost half, who do not know whether the Fed is currently audited suggests that while “the support is there, it’s not very deep.”