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## Hill wants reins on Fed

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Fed Chairman Ben Bernanke is spending so much time on the Hill these days that he takes his lunch wherever he can, recently plopping down at a tiny desk inside Rep. Barney Frank's office to sneak a sandwich.

Bernanke can expect to brown-bag it a lot more in the coming months as he faces a rising tide of congressional scrutiny and growing concerns that the once-untouchable Fed is becoming an out-of-control financial Frankenstein with \$2.2 trillion in loans on its books.

"The fact is that the American people want to know more of the 'Secrets of the Temple,'" House Speaker Nancy Pelosi (D-Calif.) told reporters Thursday, referring to the 1989 William Greider book examining the Federal Reserve. "A balance has to be struck as to what is required to run the Fed in a responsible way, about what transparency there should be."

House and Senate members of both parties praise Bernanke's bold moves in saving the banking sector from complete collapse, but they don't like the way he's done it, bypassing congressional funding channels and rebuffing some calls for oversight.

"If you think about the power that the Federal Reserve has at this particular moment in history, it's incredible," said Rep. Tammy Baldwin (D-Wis.).

Baldwin is a bellwether, one of 66 Democrats — and 232 members overall — to co-sponsor a bill mandating audits of the Federal Reserve System for the first time in its nearly 100-year history.

That push comes amid rising skepticism in the Senate over President Barack Obama's plan to give the Fed sweeping new powers as part of its revamped financial regulatory plan.

The proposal "represents a grossly inflated view of the Fed's expertise," said the ranking Republican on the Senate banking committee, Alabama's Richard Shelby.

There's no national tidal wave of anti-Fed sentiment, members acknowledge, but constituents are becoming more suspicious of the Fed's expanding role in propping up the American economy and the opacity of its inner workings.

Rep. Jim McGovern (D-Mass.) said he "was getting a lot of calls from constituents" asking him what was happening at the Fed. "That's why I support this bill," said McGovern, who joined more than 150 Republicans on the legislation last week.

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The measure, sponsored by libertarian Rep. Ron Paul (R-Texas), stands little chance of passage.

Pelosi isn't a supporter — and claims to have no knowledge of Paul's bill — but she's sympathetic to hiking oversight, a senior Democratic aide says.

Other Democrats see the measure as a populist warning shot at the White House, which has relied on Bernanke to undertake politically poisonous bailout programs that would have been nearly impossible to ram through Congress.

“I just think it will be very hard for members of Congress to go back to their constituents and say, “I’ve got \$2.2 trillion of your money at risk and I don’t know where it’s going,”” said Sen. Bernie Sanders (I-Vt.), who is pushing his own bill calling for names of banks aided under Fed lending programs.

A Federal Reserve spokeswoman declined to comment. But Bernanke and top Fed officials have bridled at detailed congressional oversight of their monetary policy.

Still, the pressure is mounting. The Fed is fighting a lawsuit by Bloomberg News calling on it to release the names of banks receiving assistance.

And last month, the Senate passed a watered-down version of the Sanders bill mandating monthly reports on the troubled banks — without disclosure of names or the amounts of aid.

Last week, the House Oversight committee took the unusual step of issuing a subpoena for Fed internal communications regarding Bank of America’s takeover of Merrill Lynch.

Bernanke eventually complied — and he’s been called to appear before the committee on June 25 to answer more questions about the controversial Bank of America deal, according to House aides.

“The Federal Reserve assumed authority the Congress should have assumed — because helping to rescue these institutions was politically unpopular,” said William Poole, former president of the St. Louis Federal Reserve Bank.

“What’s happening now is a predictable outcome — now Congress has all these questions about the Federal Reserve assuming all this authority. ... And now they’re going to get more involved. And in the long run, what this is going to do is damage the independence of the Fed,” added Poole, a fellow with libertarian Cato Institute.

At the heart of the debate is Section 13(3) of the Federal Reserve Act of 1913, which gives the Fed’s Board of Governors the vast, unregulated power to issue currency or create special discounted lending programs during “unusual and exigent circumstances.”

Frank, chairman of the House Financial Services Committee, is a Bernanke backer, but he too is concerned about possible abuses — and plans to hold hearings on 13(3) next year.

Hearings into Paul’s bill are on hold, pending the overhaul of the financial regulatory system.

But it’s struck a nerve, and Paul is sanguine about its prospects.

“There’s not that much resistance to it,” he said. “I would think if that bill were on the floor, you’d only have a few people voting against it, because it’s construed as transparency for the Federal Reserve, and right now, that’s what the American people are demanding. Even though I have been talking about this for 27 years, events have brought it to light. They now agree we need to know more about the Fed.”

The bill has succeeded in melding the extreme margins of both parties as few proposals have — uniting anti-Big Government Republicans like Paul with anti-Big Business Democrats like Reps. Lynn Woolsey of California and Dennis Kucinich of Ohio.

Nonetheless, there's little sign of a full-scale revolt, despite all the anti-Fed saber rattling. And many powerful Democrats in the Senate, including New Yorker Chuck Schumer, are likely to oppose any radical action.

“The audit? It’s a bad idea,” said Tennessee Sen. Lamar Alexander, head of the Republican Conference in the Senate. “It’s a sorry day when the Congress superimposes itself on the Fed, nosing around in monetary policy. It’s bad enough we are nosing around with the car companies.”

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