



## Will Congress Finally Pass 'Audit the Fed' Legislation?

**The Federal Reserve Transparency Act would not politicize the Fed, but will provide Congress with more information**

Allie Howell

June 6, 2017

The Federal Reserve Transparency Act of 2017 could finally fulfill a dream by many of eliminating the Fed's unique exemption from Government Accountability Office (GAO) oversight.

Under H.R. 24—popularly known as "Audit the Fed" legislation—the comptroller general would conduct an audit of Board of Governor operations and report his findings to Congress. The House bill is sponsored by Rep. Thomas Massie (R–Ky.), and [companion legislation](#) is sponsored by Senator Rand Paul (R–Ky.) in the Senate.

The same legislation [passed](#) the House in 2012 and 2014, only to die in the Senate. Janet Yellen and other Fed officials are [consistently opposed](#) to GAO oversight. (This bill has previously been covered by *Reason* [here](#)).

It should come as no surprise that the bill hits a nerve with Fed officials. As summarized by a [Rand Paul spokesman](#): "Clearly the Federal Reserve fears the information that may be disclosed as part of an audit."

After the House Committee on Oversight and Government Reform quickly [passed](#) the 2017 bill in late March, Democrats reacted with similar dramatics. Committee member Rep. Eleanor Holmes Norton (D–D.C.) [claimed that](#) "This bill would open the floodgates to political interference in monetary-policy making."

Oversight of the Fed requires a delicate balancing act. A central bank too sensitive to political pressure could attract the [political business cycle](#): Intentionally lowering interest rates to give the economy a little pre-election boost resulting in an economic boom then bust.

But under H.R. 24, such hypothetical floodgates would remain closed. In an emailed response to *Reason*, George Selgin, director of the Center for Monetary and Financial Alternatives at the Cato Institute, provides some perspective:

"Fed officials' reaction to proposals to 'audit' the Fed—proposals that in fact call for nothing more than a relaxation of some very severe current restrictions on the GAO's ability to investigate the Fed's activities—can only be described as hysterical. The changes in question would not at all increase Congress's ability to influence or interfere with the Fed's conduct of monetary policy. They would merely allow Congress access to more information, from a disinterested, independent, and highly reputable source, to assist it in performing its existing oversight responsibilities. The spectacle of so many officials, many of them well-trained economists, arguing, in essence, that so far as this Congressional duty is concerned, less information is better, is frankly rather shameful."

Rep. Massie has been an outspoken critic of the Fed, [blaming](#) the 2008 financial crisis on low interest rates. In [an op-ed](#), he describes how the Fed has not earned their privilege of privacy through successful policy:

"One hundred years ago, Congress established the Fed and delegated its constitutional authority 'to coin money and regulate the value thereof.' Under the Fed's reckless inflationary policies, the dollar has lost over 95 percent of its value since then. My bill, H.R. 24, the 'Federal Reserve Transparency Act,' would remove the veil of secrecy around the Fed."

While the previous attempts to audit the fed have failed, Republican control in both houses and [vocal support](#) from President Trump may make Federal Reserve oversight a reality.