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Senate calls for audit of three years of Fed deals

[Stephen Dinan](#)

Senators demanded Tuesday to be let in on what they called the most secretive, powerful federal agency in existence, voting overwhelmingly to audit the loans and deals the Federal Reserve made over the past three years but stopping short of demanding a full review of the Fed's future monetary policy.

The 96-0 vote for a one-time audit reflects the growing distrust of government - fueled by populists on the left and Rep. Ron Paul and libertarians on the right, who say they've been betrayed by the Wall Street-Washington financial consensus that has governed policy for two decades.

"The average American is beginning to wonder what goes on behind closed doors with the Fed," said Sen. Bernard Sanders, Vermont independent.

He said he began seeking an audit after being stonewalled by Fed Chairman Ben S. Bernanke at a Senate hearing last year.

Bipartisan frustration with the Fed has been boiling for years, but there were limits Tuesday to how far lawmakers were willing to go. Minutes after approving the one-time audit, senators defeated another plan for ongoing audit authority that would include monetary policy.

The Obama administration and Senate Democratic leaders said broader audit power could compromise the Fed's independence.

Also Tuesday, senators rejected Republicans' efforts to force reforms for Fannie Mae and Freddie Mac, the government-backed mortgage companies that many analysts say helped spark the financial blowup by backing ill-advised loans.

Democratic leaders said they want to reform the two government-sponsored enterprises later, when they can give it more consideration, rather than tuck the Republicans' proposal into the major financial reform package senators are pushing to complete.

The House has passed a financial reform bill that includes broad authority for the U.S. comptroller general to conduct an ongoing examination of the Fed's activities.

Mr. Sanders' proposal would limit the comptroller general's examination to the Fed's lending activities from Dec. 1, 2007, to the present and require a report back to Congress by December. Mr. Sanders' amendment also would require auditors to see whether members of the Federal Reserve Board of Governors have a conflict of interest in how they do their jobs.

Mark A. Calabria, director of financial regulation studies at the Cato Institute, said senators acted on what has incited the most anger, which meant auditing past bank bailouts, but didn't want to tread on the more complex parts of Federal Reserve policy.

"The fact is that most of Congress does not understand monetary policy. The thing that was least transparent, least understood, so arguably most in need of an audit, was taken off the table," Mr. Calabria said.

The House and Senate versions will have to be squared in an eventual conference, where President Obama is likely to weigh in heavily against a full audit and instead back the Sanders proposal.

Deputy Treasury Secretary Neal S. Wolin said the new version "strikes the appropriate balance" by focusing on lending practices while leaving the monetary policy decisions off limits.

Mr. Paul, the Texas Republican who highlighted his opposition to the Fed in his failed 2008 bid for the Republican presidential nomination, has been pushing for an audit for nearly three decades, with little success.

This time around, Rep. Alan Grayson, Florida Democrat, joined Mr. Paul's effort and brought dozens of Democrats on board, and together they rounded up more than 300 co-sponsors for the full audit proposal.

"It's time for people to know what happened to our money," Mr. Grayson said Tuesday, calling the Senate's action a half-step.

Activists on both sides said they viewed this as a dent in the Washington-based financial

consensus that has developed over the past couple of decades.

"It worked. We beat the banks," said Jane Hamsher, founder of the liberal blog Firedoglake.com.

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