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Outsider Ron Paul Finds Support For Fed Audit

By REUTERS

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WASHINGTON (Reuters) - After decades of pushing long-shot causes like abolishing the income tax and reinstating the gold standard, Republican Representative [Ron Paul](#) finds himself in an unaccustomed spot: on the cusp of legislative victory.

A majority of the libertarian-leaning Texan's colleagues in the House of Representatives support his proposal to increase congressional scrutiny of the [Federal Reserve](#), and the measure could be included in a broader banking overhaul this fall.

But don't expect the House to take up Paul's other pet causes, such as pulling out of the [United Nations](#).

Experts say the success of his Federal Reserve Scrutiny Act reflects rising unease with the central bank's dramatic actions over the past year, rather than any increased influence stemming from Paul's quixotic 2008 presidential bid.

"He's finally found the right moment," said Sarah Binder of the liberal-leaning [Brookings Institution](#).

Paul's spokeswoman Rachel Mills agrees: "His bill happens to be in the right place at the right time."

The former obstetrician has pursued unpopular causes in a political career that has earned him the nickname "Dr. No."

He's proposed abolishing an alphabet soup of government agencies and repealing federal drug laws. He has called for withdrawing from trade pacts and military alliances like [NATO](#) and pulling U.S. troops back from overseas bases.

He was the only member to vote against awarding congressional medals to [Pope John Paul II](#) and civil rights leader [Rosa Parks](#). He has defied his party by opposing the Iraq war and speaking out against a proposed ban on gay marriage.

Paul's 2008 presidential bid attracted a grass-roots following that hired blimps and swamped Web message boards.

Many have continued their activism this year -- visitors to [RonPaul.com](#) can enjoy songs like "Audit the Fed" written and performed by supporters. His latest book, "End the Fed," is ranked #22 on Amazon.com's bestseller list.

UNEXPECTED CLOUT

As a renegade member of a political party that controls neither house of Congress, Paul would seem to have little legislative clout. None of the 57 bills he's introduced this year have attracted more than 12 co-sponsors.

The exception is his Federal Reserve Transparency Act, which would allow congressional investigators greater access to the Federal Reserve's records. All 178 House Republicans and 104 Democrats have signed on.

The chairman of the House Financial Services Committee, Democratic Representative [Barney Frank](#), plans to work with Paul to include a Fed audit in broader legislation to revamp [financial regulation](#) that could come up for a vote in October.

It faces a rockier road in the Senate, where a companion bill offered by his ideological opposite, self-described socialist [Bernie Sanders](#), has drawn 23 co-sponsors.

Fed Chairman [Ben Bernanke](#) has warned that if the legislation allows an outside agency to audit the Fed's monetary policy decisions -- raising or lowering benchmark interest rates or pumping cash into the financial system -- it could create the perception that the central bank's independence could be compromised.

Economists say the Fed blunted the impact of the worst downturn since the 1930s by bailing out financial giants like American International Group, reducing interest rates effectively to zero and flooding financial markets with hundreds of billions of dollars.

But some lawmakers worry the Fed may have gone too far.

"We picked up some political support because the Fed has played such a big role," Frank said in an interview.

Voters also have their suspicions. A Gallup poll in July found that only 30 percent thought the Fed was doing a good job, the worst of all government agencies measured.

"I think it's tapped into a very general deep suspicion about the secrecy of government," said Mark Calabria of the libertarian [Cato Institute](#).

(Editing by Vicki Allen)

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