

Paul Questions Bernanke on M3, Inflation

February 15, 2006 Washington, DC: Congressman Ron Paul of Texas today questioned new Federal Reserve Chairman Ben Bernanke before the House Financial Services committee. Paul continued his longtime criticism of Fed policies, focusing on whether the relentless increase in the money supply that took place during Alan Greenspan's tenure will continue.

Mr. Bernanke has pledged to bring increased transparency to Federal Reserve policymaking, but the recent Fed decision to discontinue compiling and releasing the M3 monetary aggregate figure casts doubt on this promise. M3 is widely used by economists, policy makers, and investors as the most accurate and reliable true measure of the money supply.

Paul, known as a congressional expert on monetary policy, reminded Mr. Bernanke that inflation is always a monetary phenomenon, resulting from an increase in the money supply as ordered by the Fed itself. M3 has risen more than twice as fast as M2 and GDP in recent years, illustrating that real inflation is much higher than the government admits through its CPI statistics. The troubling possibility is that the Fed discontinued M3 for the simple reason that it wants to conceal the extent to which the money supply- and hence price inflation- really grows.

Paul is preparing legislation that will compel the Fed to continue publishing M3, and plans to introduce the bill in the Financial Services committee later this month.