F.A.Q.
Audit the Fed, H.R. 459

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1. **Why audit the Federal Reserve?**

   The Federal Reserve is an enormously destructive and unaccountable force in both the U.S. economy and the greater global economy. Federal Reserve policies affect average Americans far more than fiscal, spending, and tax policies legislated by Congress; indeed the Fed "spends" more than Congress when it creates trillions of new dollars on its balance sheet to bail out favored financial institutions.

   For several decades the Fed has relentlessly increased the supply of U.S. dollars (both real and electronic) and kept interest rates artificially low. These monetary policies punish thrift, erode the value of savings, and harm older Americans living on fixed incomes. The Fed's expansion of the money supply, combined with artificially low interest rates, creates terribly destructive cycles of malinvestment. This malinvestment results in housing, stock market, and employment booms and busts that destroy lives.

   While the Fed was created by Congress, current law prohibits Congress from fully auditing the Fed's monetary policy actions—the Fed actions that impact Americans the most. An entity that controls the value and purchasing power of the dollar should not be permitted to operate in the dark without oversight by Congress and accountability to the people. H.R. 459 would bring much-needed transparency to the Fed by requiring a full audit.

2. **Isn't the Fed already audited?**

   No. The Fed's financial statements are audited annually, but the Fed's monetary policy operations are exempt from audit. Congress' investigative arm, the Government Accountability Office (GAO), currently is prohibited by law from examining discount window and open market operations; agreements with foreign governments and central banks; and Federal Open Market Committee (FOMC) directives. It is precisely this information that should be made public. The American people must know how and why Fed officials expand the money supply and set interest rates. It is not enough for the Fed to provide just an updated balance sheet after crucial decisions and transactions have already occurred. H.R. 459 allows GAO to audit the Fed's monetary policy operations and directs GAO to report the audit results to Congress.

3. **Didn't the Dodd-Frank financial reform legislation passed in 2010 mandate a Fed audit?**

   Yes, but not a full or substantive audit. The audit mandated in the Dodd-Frank Act focused solely on emergency credit programs, and only on procedural issues (such as the effectiveness of collateral policies, whether credit programs favored specific participants, or the use of third-party contractors) rather than focusing on the substantive details of the lending transactions. H.R. 459 does not limit the focus of the audit.

4. **Hasn't the Fed already published details of its emergency bank lending?**

   Yes, but only partially. The Fed was required by the Dodd-Frank Act to disclose data from its emergency credit lending programs created during the financial crisis. Most of the data on its other activities, such as open market operations and discount window lending, have only been published as a result of lawsuits—not because of Congressional action. Dodd-Frank requires this information to be disclosed going forward, but with a two year time lag and with GAO restricted to auditing only the procedural components of any programs. H.R. 459 grants GAO and Congress access without special exemptions and ensures that <u>ALL</u> of the Fed's lending actions will be subject to oversight.

5. **Doesn't an audit harm the Fed's independence?**

   Absolutely not. The Fed was created by Congress and remains subject to full oversight and regulation by Congress—up to and including abolishing it altogether! The Fed's hyped "independence" is largely a myth created by Fed officials and its Wall Street/financial sector supporters who benefit from its lack of transparency. The Fed is independent from the Executive Branch (Treasury Department), but not from Congress. H.R 459 does not change or set monetary policy: it merely grants Congress retrospective access to the information used to determine and carry it out, so Congress can properly understand, oversee, and evaluate the Fed.

6. **Don't foreign transactions need to be exempt from a Fed audit?**

   No. Given the Fed's establishment of dollar swap agreements with foreign central banks (which lent up to $600 billion at a time in 2008), and the increasing economic uncertainty surrounding Spain, Greece and the European Union, the Fed's continued financial assistance to Europe should not be exempt from public accountability and Congressional oversight. H.R. 459 brings transparency to the Fed's agreements with the European Central Bank and other foreign entities.

7. **Is this bill the same bill as H.R. 1207, the Audit the Fed bill from last Congress?**

   Yes. Some technical changes had to be made to the language as a result of changes made by the Dodd-Frank Act to the underlying code.