**THIRD WAY TAKE** *Published January 11, 2016 • 2 minute read*

# Blow the Whistle on "Audit the Fed"


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It's a rare occasion when Senators Bernie Sanders and Rand Paul are on the same side of an issue. But when it comes to the Federal Reserve, both the far left and the far right share a deep sense of mistrust toward our central bank.

Paul, like his father, former Congressman Ron Paul, has long demanded an exhaustive audit of the Fed. Sanders, meanwhile, recently called for an annual Fed audit as part of his economic platform. Now, after making a procedural move to bypass regular order, Paul's bill to audit the Fed will receive a vote on the Senate floor.

To be clear, the Fed gets audited all the time. Its balance sheet is released publicly on a weekly basis, and its books are audited by Deloitte & Touche annually. The Government Accountability Office (GAO) can and does investigate specific topics and programs under the Fed's umbrella. And the Fed's Inspector General looks into allegations of fraud.

But what the GAO can't do, and what the Fed's critics would like to change, is evaluate the Fed's decisions on interest rates and its longstanding role of making temporary loans to banks. Sanders wants the Fed to place more emphasis on employment; Paul is fixated on inflation; and neither is happy about the Fed's intervention during the financial crisis. Yet auditing the Fed doesn't address these concerns in a constructive way.

What this bill is actually about is Congress pressuring—even punishing—the Fed for decisions on monetary policy and crisis response. And that's a problem.

First, it's a confidence issue. The Fed is like the Supreme Court of the economy, even if it doesn't occupy its own branch of government. Like the court's justices, the Fed's governors and presidents are expected to make difficult decisions about the long-term direction of the country—even when those actions may be unpopular in the short-term. That's why the Fed's leaders are given extraordinary autonomy. Congress doesn't investigate the Supreme Court following a controversial decision. It should afford the Fed the same consideration.

Second, it's a stability issue. Long before financial stability became a Dodd-Frank buzzword, the Fed was founded with the purpose of alleviating banking panics—a fixture of the American economy before we established the central bank. By acting as "lender of last resort," the Fed has been able to stave off the worst, even if we are unable to quantify the result. Micromanaging the Fed's response to a crisis would ensure more painful economic recessions. That hurts everyone, including Main Street.

When the Fed was created by Congress a century ago, our legislators feared that the Fed would be unduly influenced by political pressure from the executive branch. Now, we may need to protect the Fed from Congress itself.