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What Does the Federal Reserve Have to Hide?

By Thomas Knapp
January 14, 2016

Over the years, dissidents in Congress (notably including former US Representative Ron Paul and current Republican and Democratic presidential contenders Rand Paul and Bernie Sanders) have periodically proposed legislation to audit the Federal Reserve. The legislation is always rejected and, when it gets any significant attention at all, roundly denounced by the Federal Reserve itself and groups like the US Chamber of Commerce.

Such was the case on January 12, when the US Senate defeated a motion to bring the latest version of “Audit the Fed” to the floor for full debate and a vote. What’s up with that?

Supporters paint a Fed audit as simple common sense; opponents as an attempt to “politicize” US monetary policy.

It seems to me that logic and reason are entirely with the pro-audit side. The Federal Reserve system was established by Congress in 1913 for the express purpose of manipulating the national currency pursuant to statutory objectives (creating and maintaining “maximum employment, stable prices, and moderate long-term interest rates”). That’s inherently “political.”

It’s not “politicization” that audit opponents really object to. What they object to, their dark references to “conspiracy theory” and other attempts at distraction notwithstanding, is transparency.

Why? Well, given that the primary opposition to an audit comes from the the political class and the usual Wall Street suspects — the rest of us either support an audit or, more likely, don't think much about the matter at all — it's pretty obvious:

The Federal Reserve operates, its statutory goals be damned, for the purpose of protecting the interests of “the 1%” in preference to the interests of, and when necessary at the expense of, the rest of us.

That's the only plausible motive for audit opponents' insistence that the Fed be allowed to operate in secrecy, immune from public inspection or even inspection by the political authority that created it and gave it its alleged mission.

If you're like me, you probably find lengthy discussions of monetary policy complex and, well, boring. And therein lies the danger. For more than a century, that complexity and dullness has effectively cloaked the Federal Reserve system's operations from public scrutiny. It's hard to get most Americans, including me, very worked up about it.

But the political class's fear of public scrutiny makes my ears perk up. As it should yours. Yes, we should audit the Fed, if for no other reason than that they don't want us to.