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Over the weekend I read this article. It seems that Barney Frank and Ron Paul, normally not allies, have gotten together and proposed a law requiring an audit of the Federal Reserve System and limiting the Fed's lending options. I tweeted on it, calling it a really really bad idea. I was tempted to say it was a stunningly stupid idea, but I decided to be polite. I've reconsidered.

The audit idea has been around for a long time. Because of the Fed's independence, both the wacky left and the wacky right have generated conspiracy theories around the Fed for generations. The problem is that an audit could lead to new legislation that would severely change the nature of the Fed and limit its independence. Frank and Paul, two guys with two first names, argue that they will conduct the audit in a way that does not threaten the Fed's independence.

That is impossible. The audit itself would threaten the Fed's independence. At the very least, it would provide days of television time for "outraged" politicians. Few audits of any organization the size of the Fed would not provide fodder for politicians bent on finding reasons to get in front of a camera. That face time could lead to some terrible policy.

The fact is that, unfortunate as it may be for congressmen and women, the Fed needs its independence to be effective. Anything that threatens the Fed's independence is to be avoided.

The idea of limiting the Fed's lending options is also not new. Restrictions on Fed lending practices have been more or less binding since the Fed's inception in 1914. In emergencies, the Fed has much more leeway. One of Ben Bernanke's real contributions has been his innovations in assets purchased and in lending. Both are part of his demonstration that the Fed is not impotent when interest rates reach zero. To try and quash these innovations in their infancy is truly amazing.

I don't think the Fed has been perfect in its response to the challenges of the past couple of years. However, I've seen Congress in action over that same period. I'll take Ben Bernanke making these critical decisions over Barney Frank and Ron Paul every time. Taking monetary policy away from the Fed and giving it to Barney Frank and Ron Paul would be stunningly stupid.