



## **U.S. PIRG's Wall Street Bailout Briefing #7**

*7th in a series of briefings from the [U.S. Public Interest Research Group](#) on the need for greater transparency and accountability for the bailout programs*

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[Challenging the Bailout](#)

### **Bailout Briefing #7: The Fed makes dollars, but it's not making sense.**

WASHINGTON, July 14 - "Transparency about monetary policy also helps promote the accountability of the Federal Reserve to the Congress and the public," reads the Federal Reserve's website. That sounds great. And it couldn't be more true.

However, when an institution can dish out trillions of dollars without so much as a whisper to Congress, let alone the American taxpayers, it has no incentive to be *accountable* – to act in our best interest. In fact, the Federal Reserve is, economist [Dean Baker](#) recently observed, "by design, more answerable to the banking industry than democratically elected officials," and by proxy, to the American taxpayers.

Federal Reserve officials contend that exposing the Fed's decisions and transactions would be detrimental to their success because investors and partners would panic. However, if the information is published after the bank received the money, then the cause for panic is gone.

No one wants to cause more panic and deepen the crisis. Even as emotions have run high against the financial institutions – and rightly so – there isn't one lawmaker, advocate or individual that wants them get any worse off.

But the confidence of American taxpayers in their banks and in their government erodes when they hear reports of vast amounts of money shoveled into failing institutions by the Fed, with no questions asked. Even the Department of Treasury, though not perfect in its efforts, has now published the contracts, transactions and applications.

If the previous administration and the Federal Reserve were required from the outset of the financial crisis to be transparent about their motives and transactions, if they knew they'd be held accountable, perhaps today's winners and losers would be different.

Perhaps we wouldn't be where we are today.

Or at least we'd know how we got here.

The Fed recently added [pages to its website](#) to take steps toward greater transparency and accountability. But new pages do not assuage the thirst – of Congress, the media and the public – for information. And trying to find the pages without knowing exactly where to look, and then trying to divulge real meaning from the data, is close to futile.

Given the growing role of the Fed, its tremendous power, and its potential to amass even more additional responsibilities and power, it's time to demand that the mysterious institution pull back its curtains a little bit. The Wizard should show all of us some real and meaningful information about what he is doing and why. For example, the [Open Market Committee](#), which makes decisions about the money supply and interest rates, needs to make its meeting reports available immediately, not a month after the fact.

This lack of transparency is not lost on the American people, and there's growing momentum in Congress to represent their interests.

Rep. Ron Paul's (R-TX) bill, [H.R. 1207](#), to audit the Federal Reserve, recently picked up its 260<sup>th</sup> co-sponsor (according to his website), and on July 15, the [Economic Policy Institute](#) will hold a [panel discussion](#) to address the need for more transparency within the Federal Reserve, given its expanding regulatory powers. The panel features Senator Bernie Sanders (D-VT), author of Rep. Paul's companion bill, [S.604](#),

What does the Fed have to hide from the American taxpayers?

Groups like [U.S. PIRG](#) look forward to the debate – and hope that the Fed will focus as much on making sense, as it does on making dollars.

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