

**CONGRESSMAN BARNEY FRANK**

SPEECH ON THE FLOOR OF THE U.S. HOUSE OF REPRESENTATIVES  
DURING DEBATE ON THE FEDERAL RESERVE TRANSPARENCY ACT

JULY 24, 2012

THE SPEAKER PRO TEMPORE: The gentleman from Massachusetts is recognized for four minutes.

FRANK, B. (D-MA): Thank you, Mr. Speaker. I think this is a bad idea and I'm somewhat confused. By the way, we will be debating tomorrow a bill which restricts rulemaking and it exempts the Federal Reserve as I read it. So we're kind of on again, off again about the Federal Reserve. It seems to me what we're talking about is taking some fake punches at the Federal Reserve but not doing anything serious.

My Republican colleagues brought up a reconciliation bill that was going to subject the Consumer Bureau to appropriations. So I offered an amendment to subject the Federal Reserve to appropriations. That was voted down. So we're not going to restrict their rulemaking, we're not going to subject them to appropriations, even though that's being done elsewhere; we're going to audit them -- which is a way to look tough without really being tough. Does the gentleman want me to yield?

ISSA (R-CA): I would.

FRANK, B. (D-MA): I yield.

ISSA (R-CA): I thank the gentleman. Would you suggest that we should do both of those --

FRANK, B. (D-MA): No, I will take back my time and say we should do none of them. I was saying that I have a consistent position. I don't think we should do any of them. What I'm saying is people who get up there and beat their chest about how tough they are and they're not afraid of the Federal Reserve, but exempt it from the great rulemaking bill and subject the Consumer Bureau, that terrible threat to the well-being of Americans, to the appropriations process but let the Federal Reserve which spends about 150 times as much go free, I am inclined to doubt their seriousness. Not their purity that would be a violation of the rules, but their seriousness. This is a way to shake your fist at the big bad Fed, and it's not a good way.

We hear a lot about uncertainty. Remember, the Federal Reserve is now subject to a complete openness about all of its transactions with private companies. We did that last year, the gentleman from Texas had a major role in that. When the Federal Reserve deals with any other institution, we know what it does; we don't know it necessarily the same-day. There were these predictions about what terrible things were going to happen when the Federal Reserve did this and that, they haven't come true, maybe they will someday, but we will know it.

This makes this exception says, we will audit the decisions about monetary policy. It says that the members who vote on what the interest rates should be will now be audited, They will be subject to being quizzed about why they did that. Now I will tell my Democratic friends, understand that one part of this problem is that the objection

on the part of the Republican Party to the fact that our Federal Reserve, unusual among central banks, has a dual-mandate. They are charged under our statute to be concerned about inflation and about unemployment.

Now the Republicans have an agenda they are keeping on low-key until next year. They have a bill, but they won't act on it yet. They would like to strip that part of the mandate. They would like the Federal Reserve to be only involved in inflation. They don't like the fact that the Federal Reserve deals with unemployment. And this is a way, that if it ever were to become law, no one thinks it is, this is -- look how tough we are, we're going to wave our fist at the Fed. But it would be way to kind of put pressure on members of the open market committee and see what -- where are you worried about unemployment when you did this? That's the audit. This has nothing to do with how they spend their money; it has nothing to do with whom they contract. That's what people usually think about an audit. It doesn't have anything to do with the way in which they are -- whether they're efficient or not. It's an ideological agenda by a group of people who didn't like what the Federal Reserve was doing, under by the way George Bush, there was reference to the bailouts which of course were under the Bush administration.

One of the things we did by the way in our bill two years ago, all my Republican colleagues voted against the bill, was to take away from the Federal Reserve the power they used under President Bush to give -- to lend \$85 billion to A.I.G. We rescinded that. I don't think Mr. Bernanke, a Bush appointee, was doing the wrong thing necessarily. But we took back that power. So this is partly a show because on the two serious efforts to curtail the Fed's powers, my Republican colleagues aren't there. But secondly, and as I said, I'm consistent; I don't think we should do any of these things. I think what we did with regard to openness make sense. I'm not pretending to be tough when I'm not.

THE SPEAKER PRO TEMPORE: The gentleman is recognized for an additional minute.

FRANK, B. (D-MA): But what it will do is destabilize. We have worries about expectations. There is a fear that we will be too inflationary or that we won't grow enough. People on Wall Street are not as sophisticated as some people think -- not even sophisticated about their own business, as we know. But they will read this and take it more seriously than the members here do, who think it might actually become law. And it will destabilize some of the financial system. They will see it as political interference, not with the contracting procedures, not with the budget, not with how many cars they have, but with how they decide on interest rates. And the perception that the Congress is going to politicize the way in which interest rates are set will in itself have a destabilizing effect. And as I said, nobody here thinks this is ever going to become law. But there is this fear on the part of others who don't know that that will translate into precisely the kind of uncertainty, precisely the kind of unsettling on investments that my Republican colleagues pretend to fear and it will also send them the message -- stop worrying about unemployment.

THE SPEAKER PRO TEMPORE: The gentleman's time has expired.