Negative Brief: Federal Reserve Transparency Act

By Kirstin Erickson

***Resolved: The United States Federal Government should substantially reform its banking, finance, and/or monetary policy.***

The Affirmative plan passes a bill pending in Congress to audit the Federal Reserve and expose the nonsense it is involved in, and restore some accountability. This brief argues that the Fed has plenty of accountability and transparency in the status quo. To go beyond current standards and add the additional requirements in the Federal Reserve Transparency Act would harm the Fed’s independence, hamper its effectiveness, and ultimately damage the economy. The final disadvantage provides a supporting case-specific argument: even if additional transparency is desired, GAO audits are not the right way to achieve it. At the end of the day, the affirmative case is flawed in both its goals and its details.

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Negative: Federal Reserve Transparency Act

OPENING QUOTES / PHILOSOPHY

If you really care about the health of the economy, preserve the Fed’s independence

Catherine Rampell 2015. (columnist at The Washington Post covering economics, public policy, politics and culture; political and economic commentator for CNN and an occasional special correspondent for PBS Newshour; received the Weidenbaum Center Award for Evidence-Based Journalism ; graduated Phi Beta Kappa from Princeton Univ.) January 29, 2015. “Audit the Fed? Not So Fast.” Washington Post <https://www.washingtonpost.com/opinions/catherine-rampell-audit-the-fed-not-so-fast/2015/01/29/bbf06ae6-a7f6-11e4-a06b-9df2002b86a0_story.html?noredirect=on&utm_term=.6a787b3a7e88>

If politicians are truly concerned about the long-term health of the economy and the stability of U.S. currency, the best thing they can do is stop undercutting our central bank’s credibility and let the Fed do its job.

In many ways, the Fed is more transparent than almost any other institution in government

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It’s easy to say that the Fed is a very secretive, mysterious institution. That has certainly been true historically, and in some respects remains true today. But in most of the ways that matter, the Fed is actually more transparent about what it decides to do, why and how it carries those policies out than almost any other institution in government.

Three standards for Federal Reserve policy

J.D. Foster 2009. (Former Norman B. Ture Senior Fellow in Economics of Fiscal Policy at Heritage Foundation)20 Nov 2009. “Transparency and Accountability at the Federal Reserve.” The Heritage Foundation <https://www.heritage.org/markets-and-finance/report/transparency-and-accountability-the-federal-reserve>

In addressing their concerns, policymakers should keep three principles at the forefront:

* Transparency is essential to congressional oversight and public confidence but also to the credibility and reputation of the Fed as a public institution.
* Examinations of Fed activities involving private parties must respect confidentiality, but they must in some manner also be available to select Members of Congress and their staff on a carefully guarded, confidential basis.
* Proposed remedies should neither politicize nor create the potential to influence the Fed for political purposes, nor should they weaken the Fed's ability to respond appropriately to future financial crises.

MINOR REPAIR – Federal Reserve self-reporting instead of GAO audits

Congress is not good at evaluating Fed policy

Dr. Scott Sumner 2018. (Ralph G. Hawtrey Chair of Monetary Policy at the Mercatus Center at George Mason University.  Professor Emeritus at Bentley University and Research Fellow at the Independent Institute. PhD and MA in economics from the University of Chicago.) November 15, 2018. “How to Improve Fed Accountability and Transparency” (The Mercatus Center at George Mason Univ. is a university-based research center dedicated to bridging the gap between academic research and public policy problems) <https://www.mercatus.org/publications/monetary-policy/how-improve-fed-accountability-and-transparency>

What should Congress make of situations where the Fed fails to hit its targets? As of today, Congress is not very good at evaluating Fed policy, partly because this is a highly technical field and most representatives and senators are not professionally trained macroeconomists. It’s not even clear if the Fed should be seen as having in some sense failed in 2009—was there an alternative policy that would have done better?

The GAO is not the right actor because of political pressure and confidentiality concerns

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In response, policymakers have proposed subjecting these transactions to audit by the Government Accountability Office (GAO). While the policy concerns behind this legislation are valid and a comprehensive audit the appropriate response, the GAO, as a creature of Congress, is not the right instrument for the task. A GAO audit risks ultimately subjecting the Fed and monetary policy to undue political pressures, leading to a loss of the independence necessary to maintain low inflation. Moreover, information obtained through a GAO audit could be obtained by any Member of Congress who in turn could make critical, appropriately confidential information public. The threat of having confidential information released publicly could diminish the willingness of firms to engage with the Fed even under normal circumstances and could materially degrade the Fed's ability to act as lender of last resort in times of crisis.

The GAO is the wrong agency to audit the Fed because they would put private information at risk

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The Fed should be subject to a financial audit of its recent activities as a financial institution, much as would any financial institution. The audit should be performed by a qualified, independent party and should among its concerns emphasize the discovery of fraud or abuse in Fed programs. This audit should not be performed by the GAO, which has neither the expertise nor the independence necessary. A GAO audit would also jeopardize the confidentiality of private information necessary to carry out the Fed's mission.

GAO can’t ensure confidentiality of sensitive information

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More importantly, because the GAO is a creature of Congress, neither the Fed nor ultimately the GAO can guarantee that the details of transactions between the Fed and private parties audited by the GAO would remain confidential before Congress. No private party would assume that a Member of Congress could not in general or even under specific circumstances demand and obtain critical, firm-specific information arising out of a GAO audit. And certainly no private party would assume that, having obtained this confidential information, it would remain confidential in congressional hands. On the contrary, if the GAO has sensitive, private information, then private parties must assume that Congress will have the information and that the information will be made public.

A better solution is for the Federal Reserve’s own inspector to audit the Fed

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An alternative, effective means of achieving the desired transparency while assuring confidentiality is to adapt existing forms, such as the Fed OIG, to the new task. According to the Fed OIG's Web site:

The Office of Inspector General (OIG) conducts independent and objective audits, inspections, evaluations, investigations, and other reviews related to programs and operations of the Board of Governors of the Federal Reserve System (Board). OIG efforts promote integrity, economy, efficiency, and effectiveness; help prevent and detect fraud, waste, and abuse; and strengthen accountability to the Congress and the public. The OIG's work assists the Board in managing risk and in achieving its overall mission to foster the stability, integrity, and efficiency of the nation's monetary, financial, and payment systems so as to promote optimal macroeconomic performance.

In 2008, for example, the Fed OIG completed 15 audits and similar examinations.

The Fed OIG is capable of addressing many of the concerns recently raised about the Fed's new activities, their propriety, and to an extent their effectiveness. Given the greater range and scope of the Fed's activities, Congress should ensure that the Fed OIG has sufficient resources to carry out a more thorough internal examination of Fed transactions under its extraordinary programs. These examinations should affirm that the transactions are performed according to the law and guidelines set up for the program and consistent with normal business practices. As with any audit of a financial institution, in the event the Fed OIG discovers improprieties, existing remedies and processes are applicable.

Rather than GAO audits, the Fed should self-report to Congress

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In recent years, there has been increased interest in making the Federal Reserve (Fed) more accountable to Congress and the public. One recent congressional proposal would have made the Fed subject to occasional audits by the Government Accountability Office (GAO). Another proposal called on the Fed to create an explicit monetary policy rule. Thus far, these efforts have not been successful, partly owing to opposition from within the Fed.  In this paper, I’ll propose an alternative approach to accountability and transparency, which I believe is both more useful and more politically acceptable. In this regime, the Fed would first set specific quantifiable goals, then conduct annual evaluations of past policy decisions. The Fed would then tell Congress whether, in retrospect, the previous year’s policy stance had been too expansionary or too contractionary, and it would also provide specific metrics to justify this appraisal.

Fed self-reporting is better because they can explain the background and framework to Congress

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Congress could choose to make this sort of evaluation on its own. However, given the complexity of these issues, a more effective oversight would involve collaboration between Congress and the Fed. The Fed would explain what it was trying to do as specifically as possible, then provide Congress with an evaluation of whether the previous year’s policy setting had been excessively expansionary or excessively contractionary, combined with a summary of the data used to make that determination. For instance, the Fed might cite the near-zero inflation and the roughly 10 percent unemployment of 2009 as evidence that previous policy decisions (during 2008) had been, in retrospect, too contractionary. The 10.2 percent inflation of 1979, a time of near-normal unemployment, might be cited as evidence that previous policy decisions (in 1978) were too expansionary.

The current form of oversight is highly unsatisfactory. Congress does not seem to understand the role of monetary policy in steering nominal spending, and hence it has no framework for evaluating the effectiveness of past monetary policy decisions. The Fed needs to provide Congress with that framework, and the best way of doing so is to have the Fed self-report whether previous decisions were too expansionary or too contractionary.

Minor Repair avoids the Disads: Under this solution, the Fed could remain independent

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Unlike other reform proposals, the Fed will retain its current level of independence under this proposal. It will continue to be free to decide how to interpret the meaning of its dual mandate, to decide which policy instrument settings are best able to implement its vision of the dual mandate, and it will also be given the discretion to decide for itself how to evaluate whether past policy settings were too expansionary or too contractionary. That’s an enormous amount of independence for such a key policymaking institution.

INHERENCY

1. The Federal Reserve is already audited

Many aspects of the Fed are already audited and examined

Ben S. Bernanke 2016. (Distinguished Fellow in residence with the Economic Studies Program at the Brookings Institution. Former Chairman of the Board of Governors of the Federal Reserve System. Former professor of Economics and Public Affairs at Princeton Univ. PhD in Economics from the Massachusetts Institute of Technology.) January 11, 2016. ““Audit the Fed” is not about auditing the Fed.” <https://www.brookings.edu/blog/ben-bernanke/2016/01/11/audit-the-fed-is-not-about-auditing-the-fed/>

The Fed is already thoroughly audited in the usual sense, by an independent inspector general and by an outside accounting firm (currently, Deloitte and Touche), and the resulting financial reports are made public online. Every security owned by the Fed, up to the detail of the identifying CUSIP number, is also available online.  Moreover, the Government Accountability Office (GAO), which does in-depth reviews and analyses (“audits” of a different type) of government activities at the request of Congress, has wide latitude to review Fed operations, including supervision and regulation as well as other functions.  For example, as required by the Dodd-Frank Act of 2010, the GAO conducted reviews of the Fed’s emergency lending programs during the crisis and of the Fed’s governance structure.  Since the financial crisis, the GAO has done some 70 reviews of aspects of Fed operations.

Deloitte & Touch accounting firm and other outside accountants already audit the Fed, and the results are posted online

*David Wessel 2015 (contributing correspondent to The Wall Street Journal and director of the Hutchins Center on Fiscal and Monetary Policy at the Brookings Institution) “*Q&A: Explaining ‘Audit the Fed’” <https://blogs.wsj.com/economics/2015/02/17/qa-explaining-audit-the-fed/>

The Fed’s financial statements are audited by **Deloitte & Touche** and have been subject to oversight by outside accountants for many years. The Dodd-Frank law requires the Fed to post a link on its website to these audits. [The Fed has done so](http://www.federalreserve.gov/faqs/about_12784.htm).

2. Congressional oversight

The Fed already has congressional oversight

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Following international best practice, Congress has for many years effectively managed these tradeoffs by setting goals for monetary policy—specifically, that policy be set to foster “maximum employment” and “stable prices”—and holding the Fed accountable for reaching them.  Consistent with the principle of accountability, the Fed is allowed to determine the settings of policy without political interference (this is what is meant by “central bank independence”).  In turn, the Fed must regularly report and explain its decisions to Congress and the public, and in particular it must demonstrate that it is meeting its Congressional mandate.  In practice, the Fed’s public communications about policy take many forms.  For example, in speeches and other public appearances, Fed policymakers lay out in detail the considerations affecting current and future policy moves, including arguments on both sides of the issue.  The Fed chair faces reporters in four press conferences each year and testifies before a variety of Congressional committees, including two rounds explicitly focused on monetary policy.

Congress can already carry out an “audit” in the usual sense of the word

Neil Irwin 2015. (senior economics correspondent for The New York Times; previously a columnist and reporter at The Washington Post. M.B.A. from Columbia Univ.) February 10, 2015. “What People Mean When They Say ‘Audit the Fed’.” NY Times <https://www.nytimes.com/2015/02/11/upshot/what-people-mean-when-they-say-audit-the-fed.html>

Congress already has full power to carry out the things that most people mean when they refer to “auditing” an institution, namely verifying that its financial statements are accurate and that it has proper safeguards and controls to prevent fraud.

The Fed already undergoes multiple layers of audits

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The Federal Reserve Board and its 12 affiliated regional Fed banks already undergo an audit. Multiple layers of audits, in fact, by the Government Accountability Office, the Office of the Inspector General and independent private auditors such as Deloitte. The Fed also releases weekly data about its balance sheet and the minutes from its closely watched Federal Open Market Committee meetings with a three-week delay.

3. Lots of transparency in Status Quo

The Fed reveals quite a bit about its purposes, decisions, and meetings

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But here, too, the Fed actually reveals a great deal about what it is trying to do and how it arrives at those decisions. After a monetary policy meeting, the central bank immediately releases a statement of several hundred words announcing what it has done, why and which of its officials voted against the action. Four times a year, the chairwoman, Janet Yellen, stands up immediately thereafter and takes questions from reporters for an hour or so. You may not like the answers, and she can duck a question as effectively as any public official, but she at least faces them. Also four times a year, the Fed releases a bunch of details of Fed leaders’ forecasts, telling you what they expect to happen in the future with growth, inflation, unemployment and their own interest rate policy.

Oh, and three weeks after that meeting, the Fed releases minutes of the meeting, including thousands of words spelling out the contours of the debate that took place behind closed doors. After five years, a full transcript is released. During the 2008 financial crisis, the Fed really was doing a bunch of secretive things that involved funneling trillions of dollars in loans to banks and other financial institutions. But after Freedom of Information Act lawsuits by Bloomberg and Fox Business, the Fed did actually release all those details. And the Dodd-Frank law passed in 2010 requires the Fed to disclose that same information in the future with a two-year delay. (Fed officials insist that immediate disclosure of which banks received help and on what terms would hamper their ability to fight financial crises.) Fed officials also quite routinely testify under oath on Capitol Hill and give speeches and interviews in which they explain their thinking on policy and ways they may disagree with the consensus of the organization.

No other institution has these transparencies

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But when you add it all up, any of my colleagues who cover national security or the Supreme Court or even Congress would find the institution to be relatively open. You never get minutes of a meeting of the National Security Council. Supreme Court justices rarely give interviews explaining their disagreements with one another. There are no transcripts released of congressional caucus meetings or closed-door negotiations over the budget, even after a long delay.

4. Past abuses / secrecy has been solved now

The Fed was formerly opaque, but now is voluntarily much more transparent

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Under chairman Alan Greenspan, the Fed was often criticized (and parodied) for its Delphic pronouncements and opacity, but his successors, Ben Bernanke and now Janet Yellen, have cultivated transparency and engagement with the public. The Fed chair holds televised news conferences now. Fed officials regularly give speeches and interviews discussing how their views of the economy and policy preferences differ from those of their colleagues. Twenty years ago this sort of public dissent was unheard of; today it is commonplace, and largely Yellen’s doing. Not because of congressional compulsion, mind you: Yellen has instead said, multiple times, that she believes more open communication about Fed activity and intentions is good for the economy and helps monetary policy work more effectively.

A/T Secret power abuses leading to the 2008 crisis: Subsequent reforms have solved

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HARMS / SIGNIFICANCE

1. Good reasons for existing exceptions to audit

Everything is already audited except policy decisions

*David Wessel 2015 (contributing correspondent to The Wall Street Journal and director of the Hutchins Center on Fiscal and Monetary Policy at the Brookings Institution) “*Q&A: Explaining ‘Audit the Fed’” <https://blogs.wsj.com/economics/2015/02/17/qa-explaining-audit-the-fed/>

First a little history: Between 1933 and 1978, the **General Accounting Office** (since renamed the **Government Accountability Office**) was not allowed to audit the Fed at all, except for the Fed’s role in handling the **U.S. Treasury’s** cash. In 1978, Congress gave the GAO authority to audit the Fed’s regulatory duties and role in the payments system, but prohibited it from reviewing “deliberations, decisions or actions on monetary policy matters.” The **Congressional Research Service** has posted [a good, short history of all this](https://www.fas.org/sgp/crs/misc/R42079.pdf). In 2009, Congress changed the law to allow GAO audits of loans made by the Fed to a single company, such as **Bear Stearns** or **Citigroup**, but only when the Fed invoked Section 13(3) of the **Federal Reserve Act**. (That’s the provision that allows the Fed to lend to almost anybody under circumstances it deems “unusual and exigent.”) The Dodd-Frank law of 2010 further widened the GAO’s authority, allowing it to review the Fed’s internal controls, policies on collateral, use of contractors and other activities—but the GAO is still blocked from reviewing or evaluating the Fed’s monetary-policy decisions.

Not-auditing policy decisions is net-beneficial to the US economy. Protects economy from political interference

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As is the case in nearly all other capitalist democracies, the elected leadership of the U.S. sets objectives for the central bank—in the U.S., maximum sustainable employment and price stability—and instructs it to do what’s needed to meet those objectives. The rationale for this is the observation, [backed up by economic research](http://www.nber.org/papers/w15856.pdf), that giving politicians power over interest rates and the supply of credit hurts an economy over time because politicians tend to prefer a little more growth now even if that means too much inflation later. Insulating those who set interest rates from short-term political pressures is believed to lead to a better economy over time. Prohibiting the GAO—an arm of Congress--from second-guessing the Fed’s monetary policy decisions is part of that insulation.

Status Quo management of Fed goals is the right policy. The Fed should share the same goals as Congress, but must have independence over the ways it achieves those goals

Mike Konczal 2013. (fellow at the Roosevelt Institute, where he focuses on financial regulation, inequality and unemployment.) November 16, 2013. “Here’s what’s wrong with Rand Paul’s ‘Audit the Fed’ bill.” The Washington Post <https://www.washingtonpost.com/news/wonk/wp/2013/11/16/heres-whats-wrong-with-rand-pauls-audit-the-fed-bill/?utm_term=.34b39dd2736b>

Would more transparency in these areas be a good idea? Here's one way to think about the question. People who study economic policy often distinguish between policy goals and policy instruments. Goals are states of the world that policymakers want to bring about, but that they don’t directly control. Instruments are things that the government does control, however, and are used to bring around these goals. Full employment is a goal; the interest rate is an instrument. Adam Posen, president of the Peterson Institute for International Economics, argues that “central banks should have instrument independence, but not goal independence.” That is, the best accountability regime is for Congress to demand certain goals be reached — but then trust the regulators to use their instruments, within the law, to achieve these goals.

DISADVANTAGES

1. Higher Inflation

**The Plan would reduce Federal Reserve independence, changing the way it conducts monetary policy, leading to higher inflation in the economy.**

Some Congressional oversight is essential but it must be limited

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Effective Congressional oversight of the Fed is essential, of course, but it involves some complex tradeoffs.  On the one hand, Congress has the ultimate responsibility of assuring itself and the public that monetary policy is being conducted reasonably and in the national interest.  On the other hand, institutionally, Congress is not well-suited to make monetary policy decisions itself, because of the technical and time-sensitive nature of those decisions.  Moreover, both historical experience and formal studies (for example, here, here, and here) have shown that monetary policy achieves better results when central bankers are allowed to focus on the longer-term interests of the economy, free of short-term political considerations.

Inserting GAO into policy decisions doesn’t increase accountability – it puts political pressure on the Fed

Ben S. Bernanke 2016. (Distinguished Fellow in residence with the Economic Studies Program at the Brookings Institution. Former Chairman of the Board of Governors of the Federal Reserve System. Former professor of Economics and Public Affairs at Princeton Univ. PhD in Economics from the Massachusetts Institute of Technology.) January 11, 2016. ““Audit the Fed” is not about auditing the Fed.” <https://www.brookings.edu/blog/ben-bernanke/2016/01/11/audit-the-fed-is-not-about-auditing-the-fed/>

The Fed should continue to strive to improve its transparency and accountability, and in particular to ensure that Congress has all the information it needs to fulfill its oversight responsibilities.  However, this goal is not best achieved by overturning longstanding practice and effectively inserting Congress and the GAO into monetary policy decisions, calling into question the Fed’s independence.  The risk is that GAO reviews and recommendations concerning individual monetary policy decisions would provide a vehicle for members of Congress to apply political pressure on the Fed.  There are certainly precedents for such pressure:  The classic example occurred in the early 1980s, when then-Fed chair Paul Volcker’s ultimately successful efforts to conquer inflation faced Congressional uproar.  An additional potential cost is that the candor of FOMC discussions and of the supporting materials prepared by the staff could be compromised, given that even short-term confidentiality could never be assured.

GAO audits lead to political influence on the Fed. That’s bad because it harms monetary policy decision-making

*David Wessel 2015 (contributing correspondent to The Wall Street Journal and director of the Hutchins Center on Fiscal and Monetary Policy at the Brookings Institution) “*Q&A: Explaining ‘Audit the Fed’” <https://blogs.wsj.com/economics/2015/02/17/qa-explaining-audit-the-fed/>

But the Fed isn’t afraid of the GAO. It’s afraid of Congress. Fed officials worry, with good reason, that aggressive members of Congress unhappy with a Fed interest-rate decision could dispatch the GAO repeatedly to investigate, essentially using the GAO as a way to pressure the Fed to change its policies. That could reduce the Fed’s ability to make monetary policy decisions independently. In the Fed’s most detailed attack on Audit the Fed and similar bills, [Fed governor Jerome Powell said recently](http://www.federalreserve.gov/newsevents/speech/powell20150209a.htm) the bills “fail to anticipate the significant costs and risks of subjecting the Fed's conduct of monetary policy to political pressure.” A survey of big-name economists by the **University of Chicago’s Booth Graduate School of Business** found [not one supported the proposition that GAO audits of monetary policy “would improve the Fed’s legitimacy](http://www.igmchicago.org/igm-economic-experts-panel/poll-results?SurveyID=SV_0fdeZhVnhbqiie9) without hurting its decision-making.”

The bill is not about transparency – it’s about subjecting the Fed to political pressure and would create a chilling effect

Catherine Rampell 2015. (columnist at The Washington Post covering economics, public policy, politics and culture; political and economic commentator for CNN and an occasional special correspondent for PBS Newshour. Graduated Phi Beta Kappa from Princeton Univ.) January 29, 2015. “Audit the Fed? Not So Fast.” <https://www.washingtonpost.com/opinions/catherine-rampell-audit-the-fed-not-so-fast/2015/01/29/bbf06ae6-a7f6-11e4-a06b-9df2002b86a0_story.html?noredirect=on&utm_term=.6a787b3a7e88>

The problem is, despite the name, this bill is not really about transparency. It’s about subjecting more of the Fed’s day-to-day operations — including policy deliberations in which Fed officials, for now, feel free to speak candidly — to the scrutiny of politicians who can pick discussions apart to score political points as policy is being set in real time. The likely result is a chilling effect on open dialogue, as Fed officials try to avoid making any comments in meetings that might lead to harassment from Congress, and more sensitivity to short-term political pressures.

The Fed would become part of the political problem rather than a solution

Prof. Neil H. Buchanan and Prof. Michael C. Dorf 2016. (Buchanan is professor of law at the George Washington Univ Law School, and Senior Fellow at the Taxation Law and Policy Research Institute, Monash University. Dorf is Robert S. Stevens professor of law at Cornell Univ Law School.) “Don't End or Audit the Fed: Central Bank Independence in an Age of Austerity.” Cornell Law School research paper no.16-6 <https://scholarship.law.gwu.edu/cgi/viewcontent.cgi?referer=https://www.google.com/&httpsredir=1&article=2443&context=faculty_publications>

Ironically, however, in the current climate the harmful consequences of ending or auditing the Fed would not flow from the profligacy of politicians but from their foolish commitment to austerity. We need the Fed to be independent now in large part because subjecting it to close scrutiny by politically accountable actors would likely lead to unduly tight monetary policy. The Fed could no longer use monetary policy to counteract the baleful effects of ideologically driven tight fiscal policy. It would become part of the problem rather than part of the solution. Thus, even if the standard justification of the Fed’s independence envisions the Fed tilting against too-loose monetary preferences among politicians, from an economic perspective, that justification applies equally when politician’s preferences point in the opposite direction. Either way, the Fed serves as an important counterweight to politically motivated excess.

Central bank independence has historically been associated with lower inflation

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This is a scary prospect. We have a long, long body of literature showing that greater central bank independence — in countries both rich and poor — is associated with lower inflation. That’s partly because monetary policy is a complex technical apparatus that not everyone is equipped to operate. The bigger problem, though, is that politicians’ short-term goals — dictated by election cycles — are not always aligned with the long-term health of the economy. One need only look at fiscal policy to know this is true.

A GAO audit in the hands of Congress can quickly become a political tool and threaten price stability

J.D. Foster 2009. (Former Norman B. Ture Senior Fellow in the Economics of Fiscal Policy) November 20, 2009. “Transparency and Accountability at the Federal Reserve.” The Heritage Foundation <https://www.heritage.org/markets-and-finance/report/transparency-and-accountability-the-federal-reserve>

In addition, the prospect of a GAO audit in the hands of Congress can quickly become a new club with which Members of Congress can bludgeon the Fed over the conduct of monetary policy, especially as the Fed hikes interest rates to prevent inflation -- an especially important concern under present circumstances. The independence of a central bank in the setting of monetary policy is fundamental to hopes of preserving a modicum of price stability. A GAO audit of confidential information in the hands of Congress would represent an implicit threat to the Fed's independence and therefore to price stability.

Political pressure on central banks often leads to increased inflation

Federal Reserve Bank of St. Louis 2009. “Central Bank Independence and Inflation.” Federal Reserve Bank of St. Louis, annual report 2009 <https://www.stlouisfed.org/annual-report/2009/central-bank-independence-and-inflation#endnote>

One of macroeconomics' key axioms is that sustained high growth rates of a nation's money stock in excess of its production of goods and services eventually produces high and rising inflation rates. This axiom was nicely phrased by Milton Friedman when he said that "inflation is always and everywhere a monetary phenomenon." Economic history is littered with countries that ran afoul of this axiom. A recent example is Zimbabwe, which saw its annual inflation rate rise from 24,411 percent in 2007 to an estimated 89.7 sextillion percent in mid-November 2008. That's 89,700,000,000,000,000,000,000 percent. The willingness of governments to force their central banks to print excessive amounts of money, or put in place policies that lead to higher inflation rates over time, has been termed the "inflation bias" of discretionary monetary policymaking. To minimize this bias, many governments have decided to give their central bank legal independence (CBI).

Impact: Negative Net Benefits. These inflation benefits outweigh any costs of central bank independence

Prof. Alberto Alesina and Prof. Lawrence H. Summers 1993. (Alesina is Associate Professor of political economy at Harvard Univ. and a fellow of both the Center for Economic Policy Research and the National Bureau of Economic Research. Summers is professor of economics at Harvard University and an associate of the National Bureau of Economic Research.) May 1993. “Central Bank Independence and Macroeconomic Performance.” Journal of Money, Credit, and Banking, volume 25, issue 2, p. 151-162 <http://www.people.fas.harvard.edu/~iversen/PDFfiles/AlesinaSummers1993.pdf>

Our results here do, however, create some presumption that the inflation benefits of central bank independence are likely to outweigh any output costs.

Impacts: Inflation slows economic growth, kills jobs and lowers wages

Prof. Jeffrey Dorfman 2016 (professor of economics at Univ. of Georgia and consultant on economic issues to a variety of corporations and local governments) 19 Aug 2016 “Inflation Is Still Bad For The Economy” FORBES <https://www.forbes.com/sites/jeffreydorfman/2016/08/19/inflation-is-still-bad-for-the-economy/#f2a211f43400>

Most importantly, higher inflation is bad for capital investment, meaning lower accumulation of productive capital which leads to slower economic growth for decades into the future. Businesses are less interested in building factories using today’s dollars if the products made have to be sold in the future in exchange for dollars that are worth less thanks to inflation. A smaller capital stock means lower labor productivity, which means slower wage growth. [These remaining costs of inflation are profound and potentially large.](https://twitter.com/intent/tweet?url=http%3A%2F%2Fwww.forbes.com%2Fsites%2Fjeffreydorfman%2F2016%2F08%2F19%2Finflation-is-still-bad-for-the-economy%2F&text=These%20remaining%20costs%20of%20inflation%20are%20profound%20and%20potentially%20large.) Louis Woodhill has [documented](http://www.forbes.com/sites/louiswoodhill/2014/01/23/why-higher-inflation-is-a-very-very-bad-idea/#31d9f93a7e10) that higher inflation periods have lower levels of investment, lower real GDP growth, and higher unemployment.

2. Weakened crisis management

Link: Plan reduces independence of the Federal Reserve

Cross apply DA-1 link evidence

Link: The Fed’s independence helps it respond effectively to crises, which may be needed again in the future

Prof. Neil H. Buchanan and Prof. Michael C. Dorf 2016. (Buchanan is professor of law at the George Washington Univ Law School, and Senior Fellow at the Taxation Law and Policy Research Institute, Monash University. Dorf is Robert S. Stevens professor of law at Cornell Univ Law School.) “Don't End or Audit the Fed: Central Bank Independence in an Age of Austerity.” Cornell Law School research paper no.16-6 <https://scholarship.law.gwu.edu/cgi/viewcontent.cgi?referer=https://www.google.com/&httpsredir=1&article=2443&context=faculty_publications>

The Federal Reserve’s role as an independent central bank necessarily puts it in a unique position in the U.S. economic and political system. When a crisis emerges, the Fed’s combination of expertise and political insulation gives it the ability to respond quickly and with appropriately calibrated strength to prevent matters from getting truly out of hand, and to guide the financial markets and the economy back toward stability. The Fed’s recent performance in preventing a complete global economic meltdown is one of the under-appreciated stories of our time. Moreover, the Fed’s necessary emergency actions might be needed again in the not-too-distant future, in a situation that would make it clear that the Fed’s vaunted independence is essential to solving and preventing self-inflicted damage. Perversely, however, if the Fed’s actions actually do frustrate the desires of the politicians who might precipitate such a crisis, the Fed could be required to sign its own political death warrant in order to rescue the economy.

Impact: Economic Depression. The Fed only managed to stop a full-blown depression in 2008 because of its independence

Catherine Rampell 2015. (columnist at The Washington Post covering economics, public policy, politics and culture; political and economic commentator for CNN and an occasional special correspondent for PBS Newshour. Graduated Phi Beta Kappa from Princeton Univ.) January 29, 2015. “Audit the Fed? Not So Fast.” <https://www.washingtonpost.com/opinions/catherine-rampell-audit-the-fed-not-so-fast/2015/01/29/bbf06ae6-a7f6-11e4-a06b-9df2002b86a0_story.html?noredirect=on&utm_term=.6a787b3a7e88>

The general consensus among economists is that, while the Fed should have taken concerns about credit bubbles more seriously in the lead-up to the 2008 financial crisis, the central bank’s creative and “unconventional” policy measures since then almost unilaterally saved us from a full-blown depression. Fed policy is also one of the main reasons our recovery has actually been substantially faster and stronger than those in every other postcrisis country. All this was possible because the Fed had the courage, and importantly the independence, to act “unconventionally” even when critics — including Pauls both père and fils — claimed that its controversial measures would lead to hyperinflation.

3. Down-side of total transparency

Confidential information of private entities must not be disclosed

J.D. Foster 2009. (Former Norman B. Ture Senior Fellow in the Economics of Fiscal Policy) November 20, 2009. “Transparency and Accountability at the Federal Reserve.” The Heritage Foundation <https://www.heritage.org/markets-and-finance/report/transparency-and-accountability-the-federal-reserve>

At the same time, however no private entity should be at risk that its private proprietary or confidential information would be publicly aired as a result of transacting with the central bank. For example, suppose a bank participates in a Fed program. The Fed's activities should be open to public scrutiny, but transacting with the Fed should not open the bank to the risk that the transaction's details would be made public. Nor should the bank be at risk of indirectly disclosing confidential information that might reveal its business strategy, the makeup of its assets, proposed new financial products, or relationships to its clients or investors. Much of this business-critical information can be gleaned from transactional details by discerning competitors.

Information on the Fed’s transactions must not be made public or both commerce and the Fed’s effectiveness would be damaged

J.D. Foster 2009. (Former Norman B. Ture Senior Fellow in the Economics of Fiscal Policy) November 20, 2009. “Transparency and Accountability at the Federal Reserve.” The Heritage Foundation <https://www.heritage.org/markets-and-finance/report/transparency-and-accountability-the-federal-reserve>

Information specific to the Fed should be subject to public oversight as a general rule, and private information on transactions with the Fed must be reviewed on behalf of the taxpayer. But the information itself, including details such as the name of the institution, the nature of any collateral, the price or interest rate paid, and the duration, need not be made public to achieve the desired transparency and indeed must not be made public or both commerce and the Fed's effectiveness would be severely damaged. So great care must be exercised in choosing which entity will review these activities, who in Congress will receive the information, and on what basis it will all occur.

Without the assurance of confidentiality, the Fed would be far less effective in responding to crises

J.D. Foster 2009. (Former Norman B. Ture Senior Fellow in the Economics of Fiscal Policy) November 20, 2009. “Transparency and Accountability at the Federal Reserve.” The Heritage Foundation <https://www.heritage.org/markets-and-finance/report/transparency-and-accountability-the-federal-reserve>

American political systems operate best in broad daylight, whereas mischief lies in the shadows. In contrast, economic transactions, especially financial transactions, typically require that the particulars of the transaction remain confidential. This is true whether the transaction involves two private parties or a private party and the Federal Reserve. The Fed must preserve the confidentiality of the counterparties in its transactions; otherwise, the counterparties would be highly reluctant to participate in Fed programs even to ensure their own survival or the financial system's stability. Lacking this assurance of confidentiality, the Fed would have been far less effective in responding to the recent crisis.

Impact: Cross-apply DA-2 on weakened crisis management

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