

# Gonzalez calls for hearings on the Fed

by William Jones

House Banking Committee Chairman Henry B. Gonzalez (D-Tex.) outlined on Nov. 19 the next step in his campaign to bring the Federal Reserve under control, announcing that he intends to introduce legislation which would require Senate confirmation for all Federal Reserve Bank presidents before they can serve on the Federal Open Market Committee. "The 12 members of the FOMC are powerful decision-makers who have final and complete authority to control the amount of United States money in circulation," said Gonzalez. "The members' actions have such a profound influence on employment, the price level, and exchange rates—in short, on the economic well-being of our country—that it is essential that we know just who we are placing in such a position of power."

Gonzalez has long had an eye on the Federal Reserve, which, since it was set up by Congress in 1913 (in the face of considerable congressional opposition) as a relatively autonomous structure of private banking interests, has been able to regulate the U.S. currency system with only the most limited government intervention. The chairman of the Federal Reserve is a presidential appointee, and thus subject to Senate confirmation. The 12 Federal Reserve Bank presidents are not.

"Currently, five of the 12 Federal Reserve Bank presidents are elected by the boards of directors of their respective banks and do not require congressional approval," said Gonzalez. Each Federal Reserve Bank has a nine-member board, six of which are elected by the private member banks in the bank's district, so that the procedure tends to be the private banks' internal affair. Gonzalez considers this "a clear conflict of interest." He also believes it necessary to place the Fed presidents under congressional scrutiny in order to determine their "underlying beliefs toward national policy objectives."

Under Gonzalez's proposed legislation, the boards of directors of each Reserve Bank would submit a list of names to the President, who in turn would select no more than a simple majority from the administration's own party to serve as presidents of each of the district banks.

Gonzalez would also like to bring the Fed's SWAP fund, used to intervene in foreign exchange markets, under congressional budgetary authority. Currently, Congress has no control over how large this fund can become.

Gonzalez criticized the FOMC's secrecy about its proceedings and discussions. When Congress passed the 1976 "sunshine" legislation, which requires agency disclosure of

the minutes of meetings, the FOMC decided to stop taking notes at its meetings.

Gonzalez intends to extend the oversight function of the General Accounting Office to the Fed. Already in 1978, Congress gave the GAO the right to audit the Federal Reserve, but with severe limitations on what they could do. The GAO, for instance, cannot audit the Fed's international transactions and monetary policies.

Gonzalez would also like to limit the influence which foreign-owned Federal Reserve member banks have on Fed policy. "Because of the Reserve Bank presidents' extremely important functions, the foreign-owned voting constituency that indirectly elects these presidents is of national interest." In a letter to Fed Chairman Alan Greenspan on Nov. 19, Gonzalez requested the names of all the subsidiaries of foreign banks.

## Usury must be rooted out

On the House floor last March 17, Gonzalez attacked the "usurious interest" of the Fed which had been "flagellating our country now ferociously since the late 1970s." "With the instability that is created," he warned, "I can assure you that we will get no place." The problem, he pointed out succinctly, is the powerful financial interests which have "commanded the decision-making level . . . the allocation of credit." That the problem was not so endemic at the beginning of this country's history, he attributed to the fact that "they had men like Alexander Hamilton and, mostly, Jefferson, who recoiled at . . . usury."

Again on May 7, Gonzalez pointed out that the problem had become acute when the Congress passed the Federal Reserve Board Act of 1913, "and the creation within the activities of that board of such a thing as the Open Market Committee." That particular institution, Gonzalez noted, "was structured not unlike the set-up of our mother country, England"—in contrast to the system of Hamilton.

Gonzalez's attempt to bring the Federal Reserve under control is greatly to be desired. The Clinton administration will have the opportunity to break with the past in the face of the deepening depression. In that climate, the Gonzalez proposals could become an important tool in turning around the crisis. And yet, half-measures will not suffice. If the deepening depression is to be turned around, the Federal Reserve will have to be taken again under the wing of the Treasury Department and re-federalized in accordance with Article 1 of the U.S. Constitution, as was outlined by physical economist Lyndon H. LaRouche in testimony submitted last year to the House Banking Committee. Only when the Federal Reserve is transformed into a national bank can it play its constitutional role in implementing the necessary economic program, providing the credits necessary for the re-tooling of the U.S. economy. It's likely that Gonzalez understands the necessity of that step. If this is indeed the case, he deserves all the support he can get.