

SENATE BILL REPORT

SJM 8004

AS PASSED SENATE, MARCH 20, 1991

Brief Description: Requiring a complete audit of the Federal Reserve System.

SPONSORS: Senators Metcalf, Conner and Moore.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: Do pass.

Signed by Senators von Reichbauer, Chairman; Johnson, Vice Chairman; McCaslin, Moore, Owen, Rasmussen, and Vognild.

Staff: Benson Porter (786-7470)

Hearing Dates: February 5, 1991; February 14, 1991

BACKGROUND:

In 1913, Congress created the Federal Reserve System, which is comprised of public and private entities, to serve as this nation's central bank. The system includes a seven-member board of governors, the twelve regional federal reserve banks, the Federal Open Market Committee (FOMC), the Federal Advisory Council, and privately-owned member commercial banks.

As the central bank, the primary role of the system is to conduct the national monetary policy through three primary mechanisms. The FOMC exclusively directs and regulates open market trading, which consists of the purchase and sale of government and other securities by the reserve banks. The system also establishes member bank reserve requirements and regulates member bank borrowing from the federal reserve banks. By employing these three means, the system can influence the availability and cost of bank reserves, bank credit, and money.

During the 101st Congress, a measure sponsored by more than 60 congressional members was introduced to require a complete audit of the Federal Reserve System. While this measure did not gain approval, support for such an audit has continued to be expressed.

SUMMARY:

Congress is requested to enact legislation requiring a complete audit of the Federal Reserve System.

Appropriation: none

Revenue: none

Fiscal Note: none requested

TESTIMONY FOR:

The Federal Reserve System is charged with substantial public policy decisions concerning monetary policy and should be subject to a complete audit.

TESTIMONY AGAINST: None

TESTIFIED: Senator Jack Metcalf (pro)