What did the FED Get for your Tax Dollars?

August 26, 2010 - Bloomberg News has been fighting to get the Federal Reserve's records about FED lending to banks. They wanted the information badly enough that when the FED sought to keep it secret, they filed a federal law suit. Bloomberg won their suit but the FED appealed. When the FED lost that appeal in March based on a ruling of three judges from the New York US Court of Appeals, it appealed again. They asked that the entire court reconsider the case. Earlier this week, they lost that appeal too. But the FED still hasn't given up. The question is, Why?

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Even after the latest ruling, which was released on August 20th, the FED has now asked the court to stay its ruling. If the court agrees, it means that the FED can continue to keep information about which banks it helped secret.

But taxpayers have a significant interest in knowing who borrowed money from the FED program, just how much they were received, and what colateral they put up. The bank lending program in question amounted to $2 Trillion in money that was largely created out of thin air. The FED is the only agency with that power, and because the money has to be paid back, taxpayers are on the hook for it until the banks make payment in full.

According to the FED, the reason that they don't want the information release is because it could destabilize certain banks. The concern is that if depositors become aware of the fact that some banks borrowed money, they may want to move their deposits. If enough people do that, some of these banks may fail even if they are no longer having financial issues.

Given the fact that some of the nation's largest banks took money from the FED loan program, the idea of a run on the banks seems somewhat ludicrous. If that was going to happen, it already would have.

What is disconcerting is that a number of the banks that participated in the program have also been raising bank fees, credit card interest rates tightening credit on the very taxpayers that kept them afloat. Perhaps the real question that needs to be asked here is not why the FED is fighting to keep its activities secret. Perhaps the real question is who does the FED represent? Is it the taxpayers who pay for the government to function or is it some other group?

With the exception of secret military programs, the American people have an absolute right to know how their tax money is being spent. That knowledge is one of the primary means for people to determine if they are being properly represented by the government, and what to do if they are unhappy the next time the go to the voting booth.

byJim Malmberg

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