

Ron Paul's Bank War

THE DECADES-LONG CAMPAIGN of Ron Paul to have the Government Accountability Office do a full audit of the Federal Reserve now has 313 sponsors in the House. Sometimes perseverance does pay off. If not derailed by the establishment, the audit may happen. Yet many columnists and commentators are aghast.

An auditors' probe, they wail, would imperil the Fed's independence and expose it to pressure from Congress to keep interest rates low and money flowing when the need of the nation and economy might call for tightening.

They cite Paul Volcker, who to squeeze double-digit inflation out of the economy in the late Carter and early Reagan years drove the prime rate to 21 percent, causing the worst recession since the Depression. Volcker, they claim, prepared the ground for the Reagan tax cuts and seven fat years of prosperity.

That decade, America created 20 million jobs—and another 22 million in the Clinton era. Without Volcker putting the economy through the wringer, it could not have happened. And had he been forced to explain his decisions, Congress would have broken his policy.

Such is the case for Fed independence. But if true, what does this say about our Republic?

Is it not an admission that, though Congress was created by the Constitution, and the Fed is a creation of Congress, our elected representatives cannot be trusted with the money supply, cannot be trusted with control of the nation's central bank? To have decisions made in the national interest, we need folks who do not have to answer to voters.

If this be true, the Republic is closer to its end than its beginning, when

Thomas Jefferson said, "In questions of power, let us hear no more of trust in men, but rather bind them down from mischief with the chains of the Constitution."

Others contend that were it not for the independence and vision of Fed Chair Ben Bernanke, the economy might have gone over the cliff and into the abyss after the Lehman Brothers collapse in October 2008.

What opponents of Paul's audit are thus saying is that elected legislators must be kept out of the temple where the great decisions about the economy are made, that these decisions must rest with bankers and economists—answerable, as is the Supreme Court, to themselves and no one else.

But has the performance of the Fed been so brilliant that any intrusion upon its privacy is sacrilege?

Among the failures of the Fed is the Great Depression. As Milton Friedman related in his *Monetary History of the United States*, for which he won a Nobel Prize for Economics, the Fed hugely expanded the money supply in the mid-to-late 1920s.

Following a path of least resistance, the money flowed into the equity markets, where stocks could be bought on 10 percent margin. The market soared, and a huge bubble was created. When it popped, scores of thousands of investors conducted a run on the banks to get their money out to meet their margin calls. Thousands of banks, short on cash, closed. One-third of the money supply was wiped out, and the Fed failed to replenish the lost blood. Thus did the Fed cause the Great Depression. Smoot and Hawley were framed.

Moreover, every bubble from the dot-com boom of the late 1990s to housing

in the 2000s is a result of Fed policy. For unless there is an excess of money sloshing around, funds that surge into one market, be it housing, stocks, or Third World loans, have to come out of another.

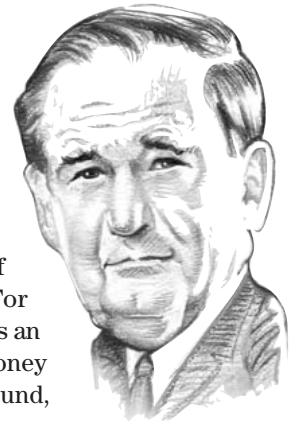
Moreover, if the Fed has not failed dismally in its duty to keep prices stable, how come candy bars and Cokes that cost a nickel in the 1950s cost 50 or 75 cents today, and new Cadillacs that sold for \$3,200 in the late 1940s cost \$55,000 or \$60,000 now? Who is responsible for inflation if not the Fed?

Moreover, it is now conceded that the Fed, in the early years of this 21st century, kept interest rates near 1 percent for too long and created the bubble that popped in 2008 and almost brought down our own and the global economies.

Because the Fed can create money out of thin air, we have been able to wage wars on credit, shovel out trillions in foreign aid, World Bank, and International Monetary Fund loans, and run humongous budget and trade deficits that have brought our country to the brink of ruin.

And if Bernanke is a genius, how is it he didn't see the train wreck coming and had to double-time it to the Hill with Hank Paulson to plead for \$700 billion to bail out AIG, Fannie, and Freddie and buy all that rotten paper on the books of Citibank & Co.?

The greatest economy the world has ever seen has been horribly mismanaged and virtually ruined by the decisions of presidents, Congress, and the Federal Reserve. Main Street has been wiped as Wall Street was bailed out. Why? Bring on the auditors! ■



Far Wrong

Don't be fooled by the BNP.

By Peter Hitchens

THE LIVES OF GENUINE conservatives in Britain have been made much harder by the recent growth of the British National Party, a sordid and disreputable group with its origins in racial obsessions and Holocaust denial. Its success, achieved by faked reasonableness and slick PR, has seemed to confirm the liberal Left's view that the Right is just one step away from Hitlerism, steeped in prejudice and loutish stupidity. This is a grave burden to proper, patriotic conservatives, and I am ceaselessly amazed at how many people are taken in. Perhaps a few words of explanation and background are in order for any on the far side of the Atlantic who might have been beguiled.

Imagine a political party where the ex-leader launches an investigation into his successor because he thinks he may be Jewish. There is, in fact, no need to imagine. The British National Party's podgy chieftain, Nick Griffin, actually had his ancestry probed for alleged Jewishness by the organization's former Fuehrer, the late John Tyndall.

Tyndall was the sort of neo-Nazi who used to celebrate Adolf Hitler's birthday, dress up in Stormtrooper outfits for group photographs and, for all I know, picnics in the woods. This sort of thing is rather bad for public relations in a country where significant numbers of people still think of Hitler as the man who bombed their street or whose parents and grandparents spent several uncomfortable years fighting on land and sea and in the air.

So when the BNP sought a new and

more appealing image a few years ago, Tyndall had to go. He did not appreciate this treatment. Then one day, sulky Mr. Tyndall saw Mr. Griffin's father on TV and decided that the old gentleman's nose was (in his view) suspiciously prominent and curved. In the spirit of his movement and his dogma, he began making checks to see if Griffin's grandmother was "in order," as they used to say in the Third Reich. I know this because Griffin told me about it himself, during a long, faintly unhinged conversation in a public house in an English country town. (I drank beer. He didn't.) I have not spoken to him since, and Tyndall is now dead, so I have never been able to find out how the story ended, though I very much hope that Nick Griffin does in fact have Jewish forebears, as I do myself. It would add to the dark comedy of his political career and perhaps cause him to reflect on some of his beliefs.

None of this ought to matter. Since the 1930s, Britain has had some sort of Judeophobic, jackboot-loving political formation or other. In general, these organizations have been composed of fantasists and obsessives, plus a sprinkling of violent brutes looking for a brawl, appealing particularly to those who think the Jews are to blame for everything. They have until now made no important electoral impact.

The first was the overrated British Union of Fascists, led by the disappointed socialist Sir Oswald Mosley, which never became a serious force even in those hungry and ill-tempered

years. Only the British Left, which fondly likes to think that it stopped Sir Oswald in his tracks, maintains the myth that he was a genuine threat—a myth that is often perpetuated on British TV and in school histories of the period, heavily influenced by leftist ideas.

But the BUF, which predated knowledge of the National Socialist death camps, was significant compared with the various leagues, fronts, and movements that persisted on the edge of British politics throughout the contented and consensual period that lasted from 1945 until quite recently. The Nazi association restricted them to the twilight badlands of minority politics. They grew slightly as Britain experienced major migration from the West Indies and from India, Pakistan, and Bangladesh. Factions based upon racial bigotry are uniquely well-placed to exploit the problems that such influxes create, since they do not fear the possible cruel consequences of inflammatory talk and because race is the foundation of all their thought—and the limit of it, too. But the mainstream parties responded to this flurry by introducing some restrictions on migrants and so temporarily halted and reversed the expansion of specifically anti-immigration groups.

What they did not do, because it was too difficult and because they preferred not to think about it, was to confront the real problem of mass migration—the great "Who, Whom?" question that any country must answer if it wishes to open its borders to large numbers of people