

**Leave the Fed Well Enough Alone, Brookings' Rivlin Testifies**

*Monetary policy already delegated to an independent body; independence has become a model of central bank governance around the world*

There is nothing “mysteriously or opaque” about the Federal Reserve’s conduct of monetary policy and there is no need for another group of experts to audit the Fed, testified Brookings Senior Fellow Alice Rivlin today before the House Committee on Financial Services Subcommittee on Oversight and Investigations. “My advice would be: leave well enough alone,” she said.

In “Preserving the Independence of the Federal Reserve,” Rivlin testified that there are three reasons the current system of Fed independence works well:

- Current monetary policy alternatives may be controversial, but they are not mysterious or opaque, and Federal Reserve officials are making extraordinary efforts to explain to Congress and the public the dilemmas they face;
- Nothing terrible or irreversible is likely to happen if the Fed acts too slowly or too fast – in fact, threats to future prosperity are more likely to come from fiscal gridlock; and
- Injecting another group of experts into the mix to second-guess the Federal Open Markets Committee (FOMC) as it sets monetary policy would politicize the process and undermine the independence of the Fed.

“Delegating monetary policy to an independent body was a sound idea, and the Federal Reserve’s independence has become a model of central bank governance around the world,” she said.

“Independence in monetary policy setting must be accompanied by strong oversight of the Fed’s operations and frequent reporting on the Fed’s goals for monetary policy and how well they are being achieved. Those processes are now working well.”

Noting that “there is nothing obscure or inscrutable” about how the Fed makes its decisions, Rivlin pointed out that the FOMC minutes lay out the arguments, Chairman Yellen and other Fed officials explain their views frequently and lucidly in speeches, the Chairman testifies and answers endless questions both in hearings and in press conferences, and the Fed is already accountable thanks to thorough auditing by a major private sector accounting firm and scrutiny by the Government Accountability Office (GAO).

“Monetary policy decisions can be politically unpopular, and the creators of the Federal Reserve were wise to insulate those decisions from political pressures. Injecting another group into the mix to second guess monetary policy decisions would undermine an independent agency which is working hard to do the job Congress created it to do...The campaign to “audit the Fed” is a misleading misnomer designed to suggest that the operations of the Federal Reserve are not subject to financial audit like other financial institutions. That is nonsense.”

[Read the full testimony](#)