ForeWord Reviews

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The Tarnished Fed: Behind Closed Doors: Forty Years of Successes, Failures, Mystique, and Humor

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The Federal Reserve Bank, colloquially known as "The Fed," is one of the nation's most powerful organizations; in fact, Jim Kudlinski says, "No other government or pseudo-governmental organization is equipped with such an unlimited 'checkbook.'"

The Fed sets monetary policy for the US and, during the most recent economic calamity, it has taken on a more proactive role than ever before in its history. In the context of a Fed that has become highly influential and visible, *The Tarnished Fed* takes on even greater relevance.

Jim Kudlinski, a former director of Federal Reserve Bank operations nationwide, is eminently qualified to take the reader inside the Fed and expose its inner workings. He offers insight into the "four sources of Fed power"—its profitability, monopoly on monetary policy, control of the country's payments system, and responsibility for regulating banks. Kudlinski points out that "most of the nations in the world have a central bank, but none of these come even close to the power wielded by the Fed in our economy, and in the world."

That is just the beginning of the story. The author describes and details the history of the Fed, discusses some of its key decisions over the years, and highlights several of the "chairmen extraordinaire" that have run the Fed, most notably Alan Greenspan. Kudlinski says Greenspan was acknowledged to be the greatest Fed chairman of all time; that is, until the subprime mortgage crisis occurred. According to Kudlinski, "the subprime mess emanated from the Fed's failing to perform its mortgage banking and regulatory and supervisory responsibilities…"

Kudlinski provides a solid overview of Fed operations; for example, he offers a useful explanation of what happens to a check as it travels through the banking system, and outlines how the Fed is divided into regional headquarters. But without a doubt the most interesting aspect of *The Tarnished Fed* is Kudlinski's unique perspective. As a Fed insider, the author can take the reader behind the scenes, revealing everything from mistakes to internal memos to private meetings that take place around the "largest conference table in Washington," in the Fed's Boardroom.

In *The Tarnished Fed*, the reader becomes the proverbial "fly on the wall," gaining rare access to this sometimes mysterious, frequently misunderstood institution. Kudlinski provides a window into the Fed but he does so in a professional and good-humored way. As a result, *The Tarnished Fed* presents the general public with an unvarnished look at the Federal Reserve Bank that has the ring of truth.

Barry Silverstein