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## Fed Nominee Diamond Gets Brushback in Bid for Central Bank Seat

By Scott Lanman - Mar 31, 2011

Peter A. Diamond, a professor at the [Massachusetts Institute of Technology](#) since 1966 and a diehard [Boston Red Sox](#) fan, last year shared the [Nobel Prize](#) in economics and was invited to throw out the first pitch at a home game in Fenway Park.

He's getting a chillier reception in Congress, which has refused since August to confirm him as a Federal Reserve Board governor. President [Barack Obama](#) has nominated him three times, but Diamond, 70, has become a pawn in a game of political tit-for-tat, Bloomberg Businessweek reports in its April 4 issue.

Diamond's nomination cleared the Senate Banking Committee in July, only to be rejected for a floor vote by Republicans, who invoked an obscure Senate procedural rule. Obama renominated him, and Diamond again won the banking panel's recommendation after the midterm elections and winning the Nobel. The clock ran out when lawmakers, preoccupied with tax-cut legislation, adjourned in December without voting on him.

Now on his third try, Diamond's prospects aren't much better. His chief antagonist, Senator [Richard Shelby](#), an Alabama Republican, says the nominee lacks monetary policy expertise. "I don't think he's qualified for that job," Shelby says. Winning Senate approval hinges on whether Shelby backs down (unlikely) or the White House chooses to reprise last year's grueling battle over a second term for Fed Chairman [Ben Bernanke](#), whom Shelby also opposed.

### 'Game of Chicken'

"It's a game of chicken, and I'm not sure anybody's going to swerve," says Mark A. Calabria, a former Shelby aide now at the [Cato Institute](#). Diamond, who declined to comment for this story, said during a March 8 hearing that his work helps inform monetary theory and gauge risks to the financial system.

Shelby disagrees with Diamond's support of stimulus spending to combat recessions, yet the senator allowed a vote last year on [Janet Yellen](#), who expresses similar views, to be Fed vice-chairman. Five years ago, Shelby backed Kevin M. Warsh for a Fed board post, even though he had limited monetary policy experience.

Then 35, Warsh had been a former White House economic aide and a merger specialist at Morgan

Stanley. Shelby has backed other scholars named as Fed governors, including Frederic S. Mishkin, who hailed from [Columbia University](#), and Randall Kroszner from the [University of Chicago](#).

Shelby and other Republicans may actually find something to like in Diamond's research.

## Graduate Student

Diamond, who taught Bernanke at MIT when the Fed Chairman was a graduate student in the 1970s, focuses on how labor markets function--a timely subject with unemployment near 9 percent. His work on taxes helped trigger the flat-tax movement by suggesting that government should refrain from taxing production.

In the recent past, several Fed nominees have become mired in politics. In 2000, Republicans blocked President [Bill Clinton](#)'s nomination of Carol J. Parry, a former executive vice- president at Chase Manhattan.

In 2008, Democrats barred Kroszner, serving a partial term as Fed governor, after President [George W. Bush](#) nominated him to a 14-year stint. Now the GOP is blocking a Democratic president's choice. "There may be some payback going on right now," says William Poole, the former St. Louis Fed president. "It's getting worse and worse over time." A Shelby spokesman, Jonathan Graffeo, denies that the senator is using Diamond to get back at Democrats.

## Same Region

Diamond is further hampered by a legal provision that says two Fed governors from the same region can't sit on the board at the same time. The rule has been lightly applied for decades by both parties.

The White House says Diamond would represent the Chicago Fed district, even though his nomination papers say he is "of [Massachusetts](#)," prompting Shelby to say the professor should be barred from serving, as Fed Governor Daniel Tarullo already represents the Boston district.

The Diamond nomination technically complies with the rule because he once taught seminars at Chicago-area universities, says the White House, which is sticking with its man. For Diamond, it may be easier to score a prime seat at Fenway than one in the Fed boardroom.

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