

THE FED

May 12, 2011, 1:43 p.m. EDT

## Diamond clears one hurdle to joining Fed

By [Greg Robb](#), MarketWatch

**WASHINGTON (MarketWatch) — Nobel Prize-winning economist Peter Diamond cleared one hurdle in his quest to join the Federal Reserve Board, but stiff Republican opposition raises uncertainty about whether the full Senate will vote to approve him.**

The Senate Banking Committee voted 12-10 on Thursday along straight party lines to approve Diamond's nomination and send it to the full Senate.

This is the third time that Diamond has cleared the committee. The prior two votes ended without Senate action due to Republican opposition.

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### Bernanke: QE2 is not a panacea

Ben Bernanke says the Federal Reserve doesn't expect the end of QE2 to have a significant market impact, and that quantitative easing has been successful, but it was never intended as a cure-all.

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Sen. Richard Shelby, the Alabama Republican who is the ranking member of the Banking Committee, stressed before the vote that he does not think Diamond is the right person for the Fed job.

"Dr. Diamond is, of course, a very accomplished academic and economist. He does not, however, possess the appropriate background or experience that makes him the best person for the job at this point in our economic history," Shelby said, saying Diamond had no experience with monetary policy, bank supervision or the Wall Street crisis.

Shelby also said he opposed Diamond for being "an old fashioned, big government Keynesian."

Senate Banking Committee chairman Tim Johnson, Democrat of South Dakota, said Senate Majority Leader Harry Reid will have to decide "whether it is worth his while" to bring the Diamond nomination to the floor.

Asked if any Republicans would cross the aisle and support Diamond's nomination, Johnson replied, "it is doubtful but anything is possible."

Mark Calabria, a former aide to Shelby and now director of financial regulations studies at the Cato Institute, said he expects the Obama administration may make a recess appointment for Diamond.

Obama can make appointments while Congress is on break. But it means that Diamond could only serve on the Fed until Jan. 2013.



Peter Diamond

“It doesn’t look likely that Diamond is going to move on the [Senate] floor,” Calabria said.

“It is either dead or a recess appointment,” he said.

The solid Republican opposition in the committee indicates that Democrats do not have the seven Republicans they would need to defeat any filibuster, Calabria said.

In any case, it is extremely rare for a Fed governor to take up so much time on the Senate floor, he said. Trying to defeat a Senate filibuster would take 30 hours of valuable floor time.

Sen. Shelby views the Fed as the financial equivalent of the Supreme Court, Calabria said.

A nominee’s opinion on inflation and unemployment could take on the same status as abortion for Supreme Court nominees, he said.

Indeed, a conservative political action committee, the Club for Growth, said it opposes the Diamond nomination. The group said it would include the vote in its influential rating of whether members of Congress support the organization’s goals.

“While the Fed should be an independent institution to ensure sound money, Diamond is an activist-Keynesian who believes in a much larger role for government involvement in the economy. Most notably, he supported a larger stimulus than the failed one that passed into law in 2009. And he supports government-run healthcare administered through agencies similar to Fannie Mae and Freddie Mac,” the group said.

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