

Diamond Withdraws Federal Reserve Board Nomination With "Depressing" NYT Op-Ed

[Richard Kreitner](#) | Jun. 6, 2011, 6:04 PM | 838

Nobel Prize-winning economist [Peter Diamond withdrew his nomination](#) for a seat on the Federal Reserve Board today.

In a [New York Times op-ed](#), Diamond complains about the politicization of the confirmation process. He accuses Senate Republicans of being ignorant of the connection between unemployment and federal monetary policy - his area of expertise.

Diamond has faced fierce opposition from Senate Republicans, who blocked his April 2010 nomination from receiving an up-and-down vote, forcing President Barack Obama to renominate him last September and again this January.

Diamond writes:

"We should all worry about how distorted the confirmation process has become, and how little understanding of monetary policy there is among some of those responsible for its Congressional oversight. We need to preserve the independence of the Fed from efforts to politicize monetary policy and to limit the Fed's ability to regulate financial firms."

He concludes that the real damage to the independence of the Federal Reserve and the ability of the country to form a coherent, effective economic policy free from political interference and ideology.

Reactions to Diamond's decision have - predictably - fallen along ideological lines.

NYT columnist Paul Krugman (another Nobel Prize-winning economist) [calls the op-ed "depressing,"](#) while hailing Diamond as the "economist's economist."

On the other hand, the Cato Institute's Mark Calabria - a former aid to Senator Richard Shelby, the main Republican opponent to Diamond's nomination - argues that Diamond's complaint about politicization is [a red herring](#). The real reason his nomination was not approved, Calabria claims, is strictly legal: Diamond, who has worked for MIT since 1966, does not really live in Chicago, as the Obama administration has claimed. There can only be one governor from each Federal Reserve district at a time.

Both Democratic and Republican presidents have seen their nominees to the Federal Reserve blocked by Congressional opposition in recent years.

"There may be some payback going on right now," William Poole, the former St. Louis Fed president, [told Bloomberg Businessweek](#). "It's getting worse and worse over time."

A Shelby spokesman denied that the senator is using Diamond to get back at Democrats.

Read more: <http://www.businessinsider.com/diamond-withdraws-fed-nomination-with-depressing-nyt-op-ed-2011-6#ixzz1OcG7FItb>