



## Trump picks another Fed member who believes in the gold standard. This one really means it

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**WASHINGTON, D.C.** - The United States abandoned the gold standard in 1971, and today the majority of economists in America believe reviving it would be disastrous for the US economy.

Yet that isn't stopping President Donald Trump from naming a longtime proponent of returning to the gold standard, conservative scholar Judy Shelton, as his latest pick for a seat on the Federal Reserve Board.

Both of Trump's most recent previous would-be nominees, conservative analyst Stephen Moore and businessman Herman Cain, endorsed returning to the gold standard. But Shelton is far more identified with her advocacy for the idea, which is based on the belief that the price of gold is stable and would make the dollar less susceptible to inflation or other volatility.

"It sounds kind of persuasive if you haven't studied economics, but it's really completely counterfactual and for good reason," said Darrell Duffie, a finance professor at Stanford University.

"Gold is an incredibly volatile asset relative to the US dollar as we know it today. It's just a misperception that if we were to go to the gold standard that we would have more stable prices."

### **An idea that keeps coming back around**

The gold standard has a long history in Republican economics.

In the 1980s, President Ronald Reagan launched the first Gold Commission, headed by monetarist Anna Schwartz, who eventually came out against the endeavor with her colleague Milton Friedman.

But the Republican Party revived the idea in its 2012 and 2016 campaign platforms, calling for a new commission to investigate the viability of a return to gold standard system. Former GOP presidential candidates, including Senators Ted Cruz of Texas and Rand Paul of Kentucky, have supported the idea.

As a candidate, Trump told GQ magazine: "Bringing back the gold standard would be very hard to do, but, boy, would it be wonderful. We'd have a standard on which to base our money."

Last year, Shelton called for a "new Bretton Woods conference," referring to the famed economic meeting held in 1944 to establish a post-war monetary order. "We make America great again by making America's money great again," she wrote in the journal of the Cato Institute, a libertarian think tank.

"It's an old idea," said Michael Bordo, an economics professor at Rutgers University who worked under Schwartz on the Gold Commission. "This is part of the tradition that is associated with the Republican Party. There is a group that believes in the gold standard. There is a group that is skeptical of the Federal Reserve ever since the beginning. Nothing like this surprises me."

Shelton did not respond to an interview request from CNN.

She earned a PhD in business administration from the University of Utah and was a fellow for many years at Stanford's Hoover Institution. Trump appointed her to be a US member of the board of directors of the European Bank for Reconstruction and Development early on in his presidency.

Trump tweeted earlier this week that he also intends to nominate Christopher Waller, an economist who is the research director at the Federal Reserve Bank of St. Louis.

### **Aligned with Trump on Fed criticism**

Shelton, a former economic adviser for the 2016 Trump campaign, has also recently advocated for interest rate cuts, echoing the President's criticism of his own Fed chairman, Jerome Powell. She has also openly questioned the effectiveness of the members of the Fed's interest-rate policy-setting committee.

"The Fed is not omniscient. They don't know what the right rate should be," Shelton recently told the Financial Times.

Trump has waged an unprecedented public pressure campaign on his handpicked Fed chairman, Jerome Powell. He's called Powell "loco" in interviews, asked if he could be fired and just last month declined to rule out demoting him if he doesn't cut rates.

"I think it's pretty clear that President Trump is interested in nominating Ms. Shelton because of her views on interest rate policy rather than gold," said Duffie.

Yet, while maverick nominees like Shelton would likely inject additional turbulence and uncertainty, offering splintering views in speeches and interviews, they would be in the minority when it comes to policymaking, outnumbered by traditional bankers and economists aligned with Powell.

"The fact that he's picked two people one of whom is extremely good and the other is problematic," said Bordo. "That's better than picking two people who are problematic."