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Trump Fed Nominee Backs Policies That Would Crash The Economy

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Donald Trump is really scraping the bottom of the barrel when it comes to his remaining Federal Reserve nominees—and he doesn't seem to understand what their individual views on monetary policy actually mean.

Take his latest pick, Judy Shelton, chosen after the attempted appointment of Stephen Moore collapsed following footage of him making incredibly misogynistic and racist comments.

Shelton's views on interest policy and currencies aren't just arcane, destructive and out of the mainstream. They also run directly counter to Trump's own calls for the Fed not to raise interest rates and, most recently, for them to reduce borrowing costs to boost growth and help the administration achieve its elusive 3% growth target.

And they contradict Trump's nationalist approach to economic relations by calling for a new international treaty on currencies that would essentially take drag the world economy back into some kind of gold standard, effectively shoving it totally needlessly into deep depression.

Here's Shelton, who supposedly already reportedly advises Trump informally (whatever that means), in a recent CATO Institute paper on the issue. She's not just criticizing Fed policy from a hawkish standpoint. Shelton is actually questioning our entire monetary regime, the legitimacy of the dollar as a self-standing currency:

"The current monetary regime permits governments to knowingly distort exchange rates under the guise of national monetary autonomy while paying lip service to avoiding trade protectionism," she wrote.

"It empowers central banks to channel the benefits of monetary policy decisions to some people at the expense of others, pitting wealthy investors against average savers. It facilitates cheap government borrowing. The shift toward increasing government influence over economic outcomes is anathema to the free market doctrines propounded by (Milton) Friedman.

"If the United States does nothing to restore a rules-based approach to international monetary relations, our values come into question. We lose credibility by failing to challenge an international monetary anti-system that condones cheating by governments and central banks."

Where to begin picking this apart? The United States created a central bank, and eventually went off the gold standard like the rest of the world, exactly in order to give policymakers greater control over the economy, a new lever to counteract sometimes-vicious business cycle swings.

Shelton is effectively calling for the abdication of monetary policy and a return to a commodity-linked system that she calls "sound money." And there's nothing sound about it.

Had her policies been pursued at the height of the Great Recession, when she was actively advocating them, policymakers would have turned a historic slump into something much worse than the Great Depression, with incalculable economic hardship in terms of job and wage losses for American workers. Even now, with the economy purportedly on more solid footing, a Sheltonian Fed would quickly lead to economic contraction.

How would she possibly work with other colleagues at the Fed, whose views are clearly anathema to Shelton?

Would she really stand up for her kooky policies and against the wishes of the top economic advisers to the man who appointed her?

So many questions, so few answers. Let's see if this nomination actually makes it to the Senate Banking Committee for a vote.