

Is Marvin Goodfriend's nomination in trouble?

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June 7, 2018

The Senate Banking Committee is set to vote next Tuesday on the nominations of Richard Clarida and Michelle Bowman. As I noted when both names were initially announced, neither's history indicates any reason to think they will shake things up at the Fed. To his credit, Mr. Clarida did indicate during his Senate testimony that he strongly supports normalizing the Fed's balance sheet and getting it away from direct credit allocation by purchasing non-Treasury assets. That's a notable improvement.

Reports indicate that it's possible both nominees will receive some bipartisan support, in notable contrast to the last Fed nominee considered – Marvin Goodfriend. In fact, it seems increasingly clear that Goodfriend's nomination is in danger. As the American Banker noted today:

There is a bigger question another Fed board nominee, Marvin Goodfriend, whose nomination has faced controversy. Goodfriend is a professor at Carnegie Mellon University and former monetary policy adviser to the Federal Reserve Bank of Richmond.

“The Marvin Goodfriend nomination to the Board remains in limbo, but the odds of his confirmation are slim-to-none at this point,” Isaac Boltansky of Compass Point Research & Trading wrote in an analyst note May 14. “The odds slightly favor both Clarida and Bowman ultimately winning confirmation.

While Trump's Fed nominees have largely been forgotten by the mainstream media, this development is a big deal. The reason I consider Goodfriend to be the “worst Fed nominee of all time” is that his enthusiastic support for negative interest rates and ambitious strategy for eliminating cash in America makes would make him a uniquely dangerous voice within America's central bank.

It is worth noting as well that Goodfriend's nomination is in peril in part due to an interesting coalition that transcends the political left and right. One of the loudest advocates against his nomination has been the organization Fed Up, a progressive organization whose primary policy goals have been greater “diversity” at the Fed and opposition to interest rate increases. While have obvious disagreement on monetary policy, it is promising to see some recognition on the left to the very real dangers negative interest rates and the war on cash can have on working class Americans.

Their advocacy seems to be working, with the expectations that Goodfriend will fail to receive a single Democratic vote in the Senate. Combined with Rand Paul's committed no vote, Goodfriend is one more Republican opponent away from being done. Hopefully he will receive that from some of the better Republicans on monetary policy, like Ted Cruz or Mike Lee.

While it is a weird situation to see Elizabeth Warren doing more to attack a pro-tax advocate than either the Heritage Foundation or Cato, it does point to the unique political potency of the Fed as a political issue. If a Warren-Rand coalition brings down Goodfriend, America will be better off for it.