



Here's why Judy Shelton faces an uphill battle to confirmation for a Fed seat

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Judy Shelton advised President Trump during his presidential campaign.

President Donald Trump's latest two picks to the Federal Reserve are facing different odds of getting on the central bank's board of governors.

Judy Shelton, who now serves as U.S. executive director at the European Bank for Reconstruction and Development and advised Trump during his campaign, is seen as facing a tougher road to getting confirmed.

On the other hand, Christopher Waller, who is director of research at the St. Louis Fed, seems a relative shoo-in, analysts said.

"While Waller should have no problem getting confirmed as he is a traditional candidate for the Fed board, we believe Shelton is more than likely not to get confirmed by the Senate," said Stephen Myrow, managing partner at Beacon Policy Advisors.

Myrow said he didn't expect senators to come out and flatly oppose Shelton, as they did Trump's last two potential Fed candidates, Stephen Moore and Herman Cain.

Instead, senators could be content not to schedule a final vote, allowing her nomination "to die on the vine." Shelton was confirmed by a voice vote to the EBRD.

Her active and public campaigning for the job, combined with her conversion from a hawkish supporter of a gold standard to pushing for near-term interest-rate cuts, likely crossed the line for some senators, Myrow said.

Sen. Mitt Romney, the freshman Republican senator from Utah, said during the discussion of Moore and Cain that it was important the Fed board not be comprised of people who are highly partisan.

On the other hand, Waller "looks straight out of central casting" for a macro economist joining the Fed board, said Sarah Binder, a political-science professor at George Washington University.

Waller is a close adviser to St. Louis Fed President James Bullard, who pressed the central bank to cut rates last month. Trump administration officials initially asked Bullard if he was interested in joining the Fed board before moving to Waller.

There is also uncertainty for coming months as Trump has asserted he has the power to demote Powell.

For that reason, Binder said Senate Republicans might apply “some extra bar” to the nominations given that the two picks might well be elevated to Fed Chairman if Trump wins re-election and remains soured on current chairman Jerome Powell.

On the other hand, Jim Dorn, vice president for monetary studies at the libertarian Cato Institute, said Shelton will be well prepared for her confirmation hearing and is likely to impress Senators.

“I wouldn’t count her out at all. She’s smart and willing to go beyond conventional wisdom, which would be refreshing,” Dorn said.