

Trump taps a strident Powell critic for spot on Fed board

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US President Donald Trump on Friday tapped Stephen Moore, a conservative economic commentator and fellow critic of Federal Reserve policy under Chairman Jerome Powell, to join the US central bank's board of governors, a move that would put a Trump loyalist inside the world's most important financial institution.

Moore, who last year suggested in a radio interview that Trump had cause to fire Powell for "wrecking our economy," would add a critical and unconventional voice to a collegial committee that unanimously backed Powell in keeping rate hikes on hold this month.

The group often reach policy decisions by consensus after debating the issues.

"I will be nominating Mr. Moore to the Fed," Trump told reporters as he arrived in Florida for a weekend trip. "He'll be great on the Fed."

Interviewed on Bloomberg Television on Friday after Trump's announcement, Moore said he is an "independent voice" despite his close ties to and support of Trump's policies and said he did not want to be a "disruptor" but instead aimed to work closely with Powell "to try to make sure that America grows as fast as it can."

He described remarks suggesting Powell and other Fed policymakers should be fired as "probably written in a time of anger" given a "very substantial mistake" the Fed made in raising rates in December.

Asked if the Fed should be cutting interest rates instead, he said was unsure.

"One of the things that will be really interesting for me is to hear the case, look at their data and then help make the decision about whether we're too tight or too loose," Moore said.

Before joining the conservative Heritage Foundation think tank, Moore had worked as an editorial page writer at the Wall Street Journal. He also was an adviser to Trump's presidential campaign and holds a master's degree in economics from George Mason University.

"I have known Steve for a long time – and have no doubt he will be an outstanding choice!" Trump wrote on Twitter on Friday.

Elsewhere on Twitter, some conservative economists and fellow Fed critics were less effusive.

"Trust me, Steve knows absolutely nothing about the Federal Reserve or monetary policy," Bruce Bartlett, a supply-side economist who served in the Republican administrations of Ronald Reagan and George H.W. Bush, said on Twitter.

"Stephen Moore is unfit to serve on the Fed board," monetary economist George Selgin, director of the libertarian Cato Institute's Center for Monetary and Financial Alternatives said on Twitter.

Senators Mum

Moore, whose nomination would require Senate approval, helped write Trump's signature tax plan. The nomination could test just how successful Powell has been in his aggressive courting of lawmakers in his first year as Fed chair.

Moore will likely face heavy criticism from Senate Democrats, with whom he has clashed for years. The biggest question will be whether the Republicans who have regularly met with Powell agree to advance someone who has publicly chastised the head of the Fed and agreed that Trump has the power to fire him.

A spokeswoman for Republican Senator Crapo, who leads the Senate banking committee whose support is needed before a Fed governor can be appointed, declined to comment. None of the other members of the committee commented when contacted by Reuters about Moore's nomination.

The position would give Moore a vote at the policy-setting table of an institution whose interest rate hikes last year were a frequent target of Trump's ire.

The Fed has since put its rate hikes on hold, citing slowing global and US growth and low inflation.

In the Bloomberg Television interview, Moore said he was "not sure" about whether the Fed should cut rates and also said he needed to "reserve judgment" about the size of the Fed's bond holdings "because I don't have the full knowledge that I need."

But he later added that "over time, obviously, we want to reduce that balance sheet and not have these massive amounts of debt on the Fed balance sheet."

The Fed on Wednesday said it would stop scaling back the vast portfolio of bonds they built up to spur an economic recovery from the 2007-2009 financial crisis and recession.

In current conditions, the Fed said, it needs to have a balance sheet of roughly \$3.5 trillion – more than four times pre-crisis levels – to manage interest rates, a portfolio that would, at some point, need to begin slowly growing again over time.

Shifting Views

Trump had actually won broad support for his first Fed picks, including Powell, with economists on the left and right seeing them as mainstream choices who could maintain the Fed's independence from political concerns, and extend a consensus shaped under previous Fed chair Janet Yellen.

Along with Powell, Trump appointed respected academic economist Richard Clarida as vice chair, Randal Quarles as vice chair for regulation, and Kansas community banker Michelle Bowman.