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# Stephen Moore: The Fed's New Bucking Bull

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Last weekend I went to a local rodeo with my wife and parents.

Before the teen bull riding competition started, an older gentleman next to me asked to open the screw top on his beer. He told me that 10 back surgeries had stripped him of the strength and leverage to do such things.

We began talking, and I found out his son was competing. He wasn't as old as I thought… He'd ridden bulls for eight years himself, and the life had taken its toll.

I learned a lot about bull riding from him, and how the cowboys manage the bulls in the chutes before they're turned out… The menacing beast has to be positioned just so, with its head facing out, or else it could cause even greater harm to the rider.

It doesn't always work out. Several of the young men were hurt that night, with broken bones and muscle tears.

They'll all recover, but it will hurt for a long time.

The unpredictable nature of the sport came to mind when I considered Trump's nominee for the Fed Board of Governors, Stephen Moore.

Stephen Moore a bucking bull?

Moore's a long-time economic advisor in Washington, steeped in free markets, low taxes, and low interest rates. He's probably most famous for creating the conservative Club for Growth in the early 2000s.

I think of him as an extreme version of a conservative economist, calling for big policy moves that have the potential to disrupt monetary policy and cause a bit of chaos in the markets.

We had Mr. Moore speak at our conference 2008, along with previous Dallas Federal Reserve BankPresident Bob McTeer. The difference in temperament between the two was stark.

Moore was impassioned and came across as impetuous. McTeer was the older, steady hand. Now Moore will likely end up with a vote at the central bank. He's the bull entering the Fed's china shop, and something's going to wind up broken.

And you and I will be the ones to pay for the damage.

The Man and the Myth

Moore called for Fed Chair Jerome Powell to resign after raising interest rates in December, a move that Moore thought was clearly out of step with the U.S. economy. He has since apologized for the brash response, but believes the Fed should immediately lower interest rates by 50 basis points, and then use a commodity pricing rule to set rates in the future.

Funny, I've never thought of commodity prices, which can shoot higher or sink lower based on weather, geopolitics, and good old-fashioned manipulation, as long-term, steady trend indicators that should be relied upon for monetary policy.

Moore claims that this is the same approach that Paul Volker, the inflation-slayer of the early 1980s, used to set Fed policy.

There's only one problem… It's not true.

George Selgin recently wrote at the Cato Institute that, "…despite what Stephen Moore has written, there's no evidence that either Paul Volcker or any later Fed chair ever deliberately linked Fed monetary policy to real-time changes in commodity prices."

Moore is smart and clearly research-driven, which makes his commodity price model all the more questionable. He's holding tight to something even though the evidence suggests a change is warranted. That's a problem, and it doesn't fit at the Fed.

Not a fan…

I'm not a fan of the Fed. They've essentially been the guarantor of bank profits for a decade as they exploded excess reserves by the trillions of dollars, and then directly paid banks interest on those excess reserves.

This saved the likes of Citibank, Bank of America, Wells Fargo and others during the financial crisis, and now those institutions are claiming to be pillars of strength. Right… With our money.

But that doesn't mean that we should inject a level of uncertainty into the system just to see what shakes out.

I prefer the devil I know, thank you, and so do the markets. When investors are uncertain about, well, anything, volatility goes up and returns tend to fall.

We have plenty of real issues to deal with today…

We're still in this Economic Winter Season, marked by weak GDP growth and poor productivity, and it's made worse by the trade wars with China and Europe as well as our ossified political class.

It would be better to remove some of the unpredictability of the Fed instead of making it worse. While Mr. Moore appears to mean well and have the best interests of the country in mind, he's better for us as an outsider demanding change than a central bank insider wreaking a bit of havoc.