

Independent Record

Why Moore is less

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April 2, 2019

WASHINGTON -- The real reason that Stephen Moore does not belong on the Federal Reserve Board is not that he is unqualified for the job, though he is. Nor is it that he has been a highly partisan and divisive figure for many years, though he has been. The real reason is that, if he's confirmed by the Senate, Moore could become the Fed chairman -- and that is a scary possibility. It could spawn a global financial calamity.

Just a decade ago, the U.S. and world economies suffered the worst slumps since World War II. What saved us then were the skilled interventions of the Fed under Chairman Ben Bernanke and the Treasury Department under Secretaries Hank Paulson and Timothy Geithner. Do we really want Moore to serve as the last bulk-head against an economic breakdown?

As one of the 12 voting members of the Federal Open Market Committee (FOMC), Moore's influence in ordinary times would be modest. But in a crisis, everything changes. Decisions must be made quickly. Power gravitates to the Fed chair, who faces a double challenge: to bolster confidence and to devise a strategy to end the crisis. The idea of Moore playing this role is terrifying.

We can no longer assume (as we did for years) that a broad economic collapse is unthinkable. But, you say, Moore isn't being nominated as Fed chairman, and surely President Trump wouldn't entrust so much power to someone so inexperienced, so ideological and so partisan. That's wishful thinking. This is, after all, the same Trump who takes pleasure in smashing norms, insulting opponents and disregarding "expert" opinion.

A few months ago, Moore urged Jerome Powell, the current Fed chair, to resign. Now Moore says he regrets this inflammatory suggestion. He also denies he would be a Trump "sycophant." All this turmoil implies that the Fed under Moore would be chaotic, unstable and unpredictable, precisely the opposite of what's desired.

No one should have been surprised that Trump's decision to nominate Moore -- a scholar now at the conservative Heritage Foundation -- triggered an outpouring of disbelief. Here is a sampling.

Benn Steil, director of international economics at the Council on Foreign Relations: "Moore's monetary commentary has for well over a decade been relentlessly partisan, illogical and fact-fudged. ... This is appalling."

Justin Wolfers, economist at the University of Michigan: "Call your favorite economist. Whether they're left, right, libertarian or socialist, none of them will endorse Stephen Moore for the Fed. He is manifestly unqualified."

J. Bradford DeLong, economist at the University of California, Berkeley, and deputy assistant U.S. Treasury secretary in the Clinton administration: "He has absolutely no business overseeing U.S. monetary policy."

For further proof, please read the stinging and well-reported columns from my Washington Post colleague Catherine Rampell. They show that Moore twists his facts to fit the political occasion. A long and somewhat technical essay from economist George Selgin of the libertarian Cato Institute makes a similar point.

To repeat: If only one seat on the FOMC were at stake, the importance of all this would be much reduced. But in practice, Moore the Fed governor could become Moore the Fed chairman.

Consider how. Powell becomes ill and has to resign. Or Trump provokes a struggle with Powell and forces him to resign. (Under section 10.2 of the Federal Reserve Act, the president can dismiss any Fed governor for "cause," though apparently that has never happened and, in other legal contexts, "cause" is considered to be malfeasance, neglect of duty or inefficiency -- and not a policy difference. So it's unclear whether Trump could legally move against Powell.)

In each of these cases, the president could then nominate Moore as the new Fed chairman. Given Trump's track record with other top officials -- many have resigned or been pushed out -- nothing can be absolutely eliminated.

A working hypothesis is that Trump thinks that he should be running the Fed. Moore simply becomes his man at the Fed.

Trump's earlier choice of Powell as chairman seems to have assumed that he would be easier to influence than Janet Yellen, the Fed's previous head. This now seems a miscalculation. Despite harsh criticism from Trump, Powell has sought to maintain his freedom of action. So Trump is trying a new approach.

The implication is that the full Senate, if presented with Moore's nomination, should not treat it as a simple decision involving only one governor's seat. Senators should treat Moore as if he's being nominated for Fed chairman. This is what's really at stake, and it creates a much higher hurdle for approval.

We don't know what the future holds. But as a matter of prudence, we should assume economic reverses. If so, the Fed chief will become a crisis manager. That person should not be Stephen Moore.