

# MarketWatch

## Republican's flirtations with gold standard is ill-advised romance, Fed's Lacker says

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Richmond Fed President Jeffrey Lacker on Thursday sounded untroubled by criticism of the U.S. central bank by Republican presidential candidates — with one exception, the idea by some including Texas Senator Ted Cruz for a return to the gold standard.

“History has demonstrated the gold standard is unworkable,” Lacker said flatly during a question-and-answer session following a speech at the Cato Institute.

Under a gold standard, a dollar would be convertible into a fixed face value of gold.

A recent research paper by Jon Faust, an economics professor at Johns Hopkins, discussed over the summer at the Fed's Jackson Hole policy symposium, which found that the gold standard didn't provide stability for the purchasing power of money except “in accidental circumstances,” he noted.

Former Texas Congressman Ron Paul for years championed a return to the gold standard to end inflation, saying the Fed was debasing the currency by tolerating even a 2% annual inflation target.

In the wake of the financial crisis, and the \$700 billion bank bailout, Paul's idea's found a home with the tea party-movement and has seeped into the mix that makes up the Republican party's ideas of economic reform.

Overall, Lacker and St. Louis Fed President Jim Bullard, appearing at a rare joint press conference at the Cato Institute, said that criticism by politicians, Republican or Democrat, was par for the course for the U.S. central bank, especially because of the unconventional policies followed over the last seven years.

“The Fed has been in the middle of the action since the financial crisis. We've taken controversial actions that seem to be far out of what we would have done pre-crisis,” Bullard said. “And so this has engendered... a healthy political debate about: what is the role of the Fed, do we have the right structure in place for this economy, should we consider changes, what do we really care about—do we just care about keeping inflation low and stable or do we also care about many other facets of economic policy such as income inequality,” he added.

For his part, Lacker said the Fed took action that people didn't think the central bank could take. The populist anger is not surprising, especially from people who were skeptical of government's role in the economy to begin with, he said.

Both Lacker and Bullard are considered hawks, or receptive to increasing interest rates.