

# Trump nominee in doubt for Federal Reserve position

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There is significant doubt as to whether Judy Shelton, President Trump's nominee for a position on the governing board of the US Federal Reserve, will receive the endorsement of the Senate Banking Committee after its confirmation hearing on Thursday. The proceedings nevertheless cast light on some of the issues at stake in the deepening conflicts within the US political establishment.

Trump nominated Shelton for the position last July, after two previous attempts to have his political supporters placed on the Fed board collapsed before they even reached the stage of a confirmation hearing.

One of Shelton's main attributes, in Trump's eyes, is her demonstrated capacity to switch her positions in accordance with the political winds.

During the Obama administration she was an opponent of the Fed's quantitative easing program and interest rate cuts, only to change course after the election of Trump. Under the Trump administration she has become an advocate for the use of monetary policy to weaken the dollar and improve the competitive position of the US global markets—a position shared by the president.

The Shelton nomination has attracted more attention than normal because she is viewed as a potential choice by Trump for the position of Fed chair if he wins re-election and decides to oust the current chair Jerome Powell when his term expires in 2022. In other words, for Trump's opponents, the Shelton nomination is seen as another move by Trump to ensure that key sections of the state apparatus are placed in the hands of reliable political supporters.

Accordingly, the Democrats focused their questions and criticisms on the issue of her independence.

In his opening remarks, Senator Sherrod Brown, the senior Democrat on the committee, said Shelton had

“too many alarming ideas”—a reference among other things to her previous support for a return to a gold standard—and that she had “flip-flopped” in her views.

Clearly with one eye on the prospect that Shelton could be a future choice for Fed chair if she made it to the board of governors, he said: “A vote for Ms Shelton is a vote against Fed independence.”

Democrat Senator Chris Van Hollen pointed to a statement by Shelton that the deficits incurred by the Obama administration were “unconscionable” and pressed her on whether she had the same attitude to deficits under Trump.

He said her responses to present economic issues were totally inconsistent with what she had written in the past and “the only thing that has changed is who's in the White House.”

Questioned on whether she thought Trump's frequent attacks on Fed chair Powell for not lowering interest rates fast enough were appropriate, Shelton maintained she would advance her own views.

“Frankly no one tells me what to do,” she said. “I don't think it's the job of the Federal Reserve to accommodate political agendas” and that the Fed “operates independently as it should.”

But in the course of her remarks she cast doubt on the carefully cultivated fiction of Fed independence. She said most Fed chairs have faced pressure from the White House and that “in some ways, it's refreshing that it is out in the open.”

She added: “I don't censor what people say. But I do believe that every American, every member of Congress and even the president has the right to criticise the Federal Reserve.”

The Republicans steered away from the question of Fed independence and made the central thrust of their questions her economic policies, in particular, her

advocacy of using monetary policy, principally lower interest rates, to push down the value of dollar.

In his questioning of Shelton, Republican Senator Pat Toomey said: “The only rational conclusion one can come to from reading what you have written ... and said is that you believe the Fed should actively seek to devalue our currency if other countries are doing that. That’s a very, very dangerous path to go down. This beggar-thy-neighbor mutual currency devaluation is not in our interest, and is not in the mandate of the Fed to pursue it.”

Defending her position, which is firmly in line with views repeatedly expressed by Trump, Shelton said that it was “anathema” to her to suggest that the US devalue its currency to gain a trade advantage.

She stated: “What I’m saying is within the context of the framework for deciding monetary policy we also have to look at the impact on stable employment and on stable prices. If other central banks engage in those unfair practices, it can affect employment, especially our manufacturers who have to compete.”

After the hearing, Toomey told reporters he remained concerned that Shelton was an advocate for using monetary policy to devalue the dollar.

Despite having written an article in the *Wall Street Journal* in 2009 with the title “Let’s go back to the gold standard,” Shelton said she was surprised to be portrayed as supporting that position and that she “would not advocate going back to a prior historical standard” and money only moved forward.

The Senate Banking Committee panel considering Shelton’s nomination has 13 Republicans and 12 Democrats. With all the Democrats set to vote in opposition, it will only take one Republican defection for it to go down. After the confirmation hearing, *The Hill* reported that “senior Republican” sources said Trump had decided to withdraw the nomination.

This brought a swift denial from the White House, which issued a statement that the nominations of Shelton and Christopher Waller, head of research at the St Louis Fed, who has attracted no opposition, would go ahead.

If the Senate panel gives Shelton the thumbs down, her nomination can still go ahead if the Republican Senate majority leader Mitch McConnell decides to bring the matter to the floor. That would depend on two factors: whether the criticisms of Republicans on the

committee are reflected more broadly among other Senators and whether Trump seeks to apply pressure in the Shelton case, as part of his drive to personalise key levers of state power.



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