

## Judy Shelton: Project Syndicate

In 1994 Milton Friedman wrote about Judy Shelton: "In a recent Wall Street Journal op-ed piece (July 15)... Judy Shelton started her concluding paragraph: "Until the U.S. begins standing up once more for stable exchange rates as the starting point for free trade..." It would be hard to pack more error into so few words.... A system of pegged exchange rates, such as the original IMF system or the European Monetary System, is an enemy to free trade. It is no accident that the 1992 collapse of the EMS coincided with the agreement to remove controls on the movement of capital..." <[https://miltonfriedman.hoover.org/friedman\\_images/Collections/2016c21/NR\\_09\\_12\\_1994.pdf](https://miltonfriedman.hoover.org/friedman_images/Collections/2016c21/NR_09_12_1994.pdf)>. To turn monetary policy away from internal balance toward preventing exchange rate movements that market fundamentals wanted to see occur was, in Friedman's view, the road toward disaster. It was simply wrong. And it could be held together only if economies moved from free trade back toward managed trade—and so beggared not just their neighbors but themselves.

Two and a half decades later, today's Judy Shelton seems no freer from error, but to it has added an enormous amount of incoherence. There is no consistent thread of argument in what she says. She is, rather, a weathervane pointing in the direction of whatever political wind she thinks likely to get her her next job.

Last year she said that the Federal Reserve should be careful not to do anything to curb stock prices: "More than half of American households are invested through mutual funds or pension funds in this market. I don't want the Fed to pull the rug out from under them..." <<https://www.bloomberg.com/news/articles/2019-07-05/trump-fed-pick-shelton-says-central-bank-should-support-markets>>.

But in 2016—when unemployment was higher and the case for easy money stronger—it was the Fed's "appeasing financial markets" that was the thing to be avoided <[https://www.washingtonpost.com/opinions/yes-trumps-latest-fed-pick-is-that-bad-heres-why/2020/02/10/a13fa1ec-4c44-11ea-9b5c-eac5b16dafaa\\_story.html](https://www.washingtonpost.com/opinions/yes-trumps-latest-fed-pick-is-that-bad-heres-why/2020/02/10/a13fa1ec-4c44-11ea-9b5c-eac5b16dafaa_story.html)>. Back then under the Obama administration when there were lots of unemployed workers who could be put to work producing exports, policies to produce a weaker dollar to boost exports were to be shunned: "The obvious quick route to export success for any nation is to depreciate its currency. Dollar depreciation is already being pushed by the Obama administration.... Let's not compromise our currency in a misguided attempt to boost U.S. job growth. America's best future is forged through sound finances and sound money..." <<https://www.wsj.com/articles/SB10001424052748704698004576104260981772424>>.

These days "compromising the currency" is a plus from the interest-rate cuts she wants to see <<https://www.marketwatch.com/story/trumps-fed-choice-judy-shelton-says-interest-rate-cut-needed-because-europe-is-set-to-devalue-euro-2019-07-05>>. Today monetary policy should be

made looser "as expeditiously as possible" <<https://www.washingtonpost.com/business/2019/06/19/fed-meets-trumps-potential-next-pick-wants-see-lower-rates-fast-possible/>>.

Back then "loose monetary policy... leads to internal bankruptcy... whole nations have foundered on this path..." <<https://www.wsj.com/articles/SB123742149749078635>>.

Catherine Rampell <[https://www.washingtonpost.com/opinions/yes-trumps-latest-fed-pick-is-that-bad-heres-why/2020/02/10/a13fa1ec-4c44-11ea-9b5c-eac5b16dafa\\_story.html](https://www.washingtonpost.com/opinions/yes-trumps-latest-fed-pick-is-that-bad-heres-why/2020/02/10/a13fa1ec-4c44-11ea-9b5c-eac5b16dafa_story.html)> earlier this month correctly called Judy Shelton "an opportunist and a quack", and reported that Republican senators think she is not qualified. Kevin Cramer (R-ND) said: "I wouldn't want five [Fed Board] members like her". Thom Tillis (R-NC) said that her views on the gold standard do not matter because return to the gold standard is off the table. Tim Scott (R-SC) agreed with Tillis, stating that "controversial statements" were "not relevant". Pat Toomey (R-PA) worried about the "very, very dangerous path to go down" she advocated. Richard Shelby (R-AL) was "concerned". John Kennedy (R-LA) said: "Nobody wants anybody on the Federal Reserve that has a fatal attraction to nutty ideas" <[https://www.wsj.com/articles/republican-senator-raises-concerns-over-sheltons-fed-candidacy-11581608467?mod=hp\\_major\\_pos1](https://www.wsj.com/articles/republican-senator-raises-concerns-over-sheltons-fed-candidacy-11581608467?mod=hp_major_pos1)>.

But the *Wall Street Journal* editorial board has decided to back Judy Shelton's "more error packed into so so few words" over Milton Friedman by praising her as a believer that "monetary policies that ignore exchange-rate stability wreak political and economic havoc". Trump wants Judy Shelton on the Fed Board so he can threaten to—and possibly actually—replace Jay Powell with her as chair. If we have learned anything over the past three years, it is that furrowed brows of concern from Republican senators are worth precisely nothing. John Kennedy (R-LA) followed his furrowed brow by saying "I'm not saying that's the case here". Mike Crapo (R-ID) praised her "deep knowledge of democracy, economic theory and monetary policy", and denounced the "war on Judy Shelton". If Republican senators are going to save the country from yet another Trump misstep that makes America less great, first core Republican supporters have to step up and give their senators 53 spine transplants.

---

**J. Bradford DeLong:** *Shelton the Charlatan* <<https://www.project-syndicate.org/commentary/judy-shelton-federal-reserve-nominee-charlatan-by-j-bradford-delong-2020-02>>: Like most of US President Donald Trump's earlier picks for the US Federal Reserve Board, Judy Shelton has no business even being considered for the job, let alone winning the support of self-respecting conservatives. But in the Trump era, up is down, and quackery is the new expertise.

BERKELEY—Back in September 1994, the Nobel laureate economist Milton Friedman actually wrote about one of US President Donald Trump's current nominees to serve on the Federal Reserve's seven-member Board of Governors. "In a recent Wall Street Journal op-ed piece," Friedman observed, "Judy Shelton started her concluding paragraph: 'Until the US begins

standing up once more for stable exchange rates as the starting point for free trade...” Stopping there, Friedman noted that, “It would be hard to pack more error into so few words”

“A system of pegged exchange rates, such as the original [International Monetary Fund] system or the European Monetary System,” Friedman went on to explain, “is an enemy to free trade. It is no accident that the 1992 collapse of the EMS coincided with the agreement to remove controls on the movement of capital.” In Friedman’s view, the idea that monetary policymakers should turn away from the internal balance and focus instead on preventing market-driven exchange-rate movements was a recipe for disaster. Such an approach would require all economies to abandon free trade and return to managed trade, thereby beggaring not just their neighbors but also themselves.

More than two decades later, Shelton’s views are no less erroneous or incoherent. Her arguments about monetary policy do not follow any consistent thread, because she is merely a political weathervane, pointing in whatever direction is most convenient for securing her next job.

Last year, she warned that the Fed should be careful not to do anything to curb stock prices, telling CNBC, “More than half of American households are invested through mutual funds or pension funds in this market. I don’t want the Fed to pull the rug out from under them.” And yet, in 2016, when unemployment was higher and the case for easy money stronger, she chastised the Fed for “appeasing financial markets” with loose monetary policies. Given this volte-face, it is not unreasonable to conclude that Shelton’s support for monetary-policy easing depends not on economic fundamentals but on who is in the White House.

Similarly, back in 2011, when there were lots of unemployed Americans who could be put to work producing exports, Shelton argued against policies that would weaken the dollar. “Let’s not compromise our currency in a misguided attempt to boost US job growth,” she advised in a commentary for the Wall Street Journal. “America’s best future is forged through sound finances and sound money.”

But nowadays, the same person who wrote those words sees compromising the currency as an added bonus from the interest-rate cuts she wants the Fed to pursue in response to monetary-policy loosening by the European Central Bank. In fact, she now believes that US monetary policy should be eased “as expeditiously as possible.” Never mind her warning in 2009 that “loose monetary policy ... leads to internal bankruptcy ... whole nations have foundered on this path.”

Given this history of flimflam, Catherine Rampell of the Washington Post was absolutely correct earlier this month when she called Shelton “an opportunist and a quack.” Rampell also notes that, “Senate Republicans seem to know this,” even if they “still may be too craven to oppose her nomination, for fear of crossing Trump.”

For example, Kevin Cramer of North Dakota has said that while he likes the idea of having someone on the Fed Board who will challenge the status quo, he “wouldn’t want five members like [Shelton].” More worryingly, Thom Tillis of North Carolina apparently does not think that Shelton’s bizarre advocacy of the gold standard matters, because that issue is already off the table. Tim Scott of South Carolina agrees, arguing that Shelton’s past “controversial statements” are “not relevant.”

Putting on a slightly braver face, Pat Toomey of Pennsylvania told Shelton at her confirmation hearing that he is worried about her recent statements in support of devaluing the dollar. “We don’t get to control other countries’ monetary behavior,” Toomey warned. “I think that is a very, very dangerous path to go down.” Likewise, Richard Shelby of Alabama has indicated that he is “troubled by some of [Shelton’s] writings,” and John Kennedy of Louisiana admits that, “Nobody wants anybody on the Federal Reserve that has a fatal attraction to nutty ideas.”

Nonetheless, the Wall Street Journal editorial board has decided to defend Shelton’s nomination, particularly her belief that “monetary policies that ignore exchange-rate stability wreak political and economic havoc.” In effect, it is choosing her error-packed words over Friedman’s commonsense arguments about the proper goals of monetary policymaking.

Trump, of course, wants Shelton on the Fed Board so that he can threaten Fed Chair Jerome Powell by holding her out as a ready replacement. If we have learned anything over the past three years, it is that congressional Republicans’ furrowed brows and rhetoric of “concern” are worthless. Kennedy, after expressing his reservations about “nutty ideas,” went on to stipulate that, “I’m not saying that’s the case here.” And Mike Crapo of Idaho has gone so far as to praise Shelton for her “deep knowledge of democracy, economic theory, and monetary policy.”

If Republican senators are going to save the country from yet another Trump misstep, they will need to find their long-lost spines. I’m not holding my breath....

---

#highlighted #monetarypolicy #orangehairedbaboons  
#politiceconomy #projectsyndicate #2020-03-07