

# Grasping Reality with Both Hands

The weblog of Brad DeLong. Comments (mostly) welcome, or email me at [delong@hey.com](mailto:delong@hey.com) with "delong-weblog" as the subject.  
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## No Senator Doing His or Her Job Would Vote for Judy Shelton For Fed Governor—Hoisted from the Archives



That any Republican senators at all are thinking of voting for Judy Shelton—a woman views whom Milton Friedman dismissed by saying "it would be hard to pack more error into so few words"—for a Fed Governor position reveals an astonishing lack of spine. Yet the Senate Banking Committee chair appears to be attempting to advance her nomination on Tuesday:

**Hoisted from the Archives:** *Shelton the Charlatan* <https://www.bradford-delong.com/2020/03/shelton-the-charlatan-project-syndicate.html>: 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-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) 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.

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