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ECONOMY

Judy Shelton in Her Own Words

One of Trump's picks for the Fed board has called for a return to the gold standard and has written that central banks 'are the world's biggest currency manipulators'

When asked recently whether the Fed should cut interest rates now, Judy Shelton said, 'The answer is yes.' **PHOTO:** ANDREW HARRER/BLOOMBERG NEWS

By David Harrison

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President Trump tweeted Tuesday that he intended to nominate economist Judy Shelton, the U.S. executive director at the European Bank for Reconstruction and Development, to become a Federal Reserve Board governor. She served as an economic adviser on Mr. Trump's transition team and has worked for the Atlas Network, a think tank that has been critical of the Fed's monetary policy and that has advocated for a return to the gold standard.

Here are some samples of her policy views.

Monetary Policy:

Ms. Shelton argues that central banks' interest-rate moves cause economic disruptions by manipulating currencies in ways that affect global trade. "When governments manipulate exchange rates to affect currency markets, they undermine the honest efforts of countries that wish to compete fairly in the global marketplace. Supply and demand are distorted by artificial prices conveyed through contrived exchange rates. Businesses fail as legitimately earned profits become currency losses," she wrote in a February 2017 opinion article in The Wall Street Journal.

When asked in a recent interview with the Journal's opinion page whether the Fed should cut interest rates now, she said, "The answer is yes," a view that aligns with Mr. Trump's recent public comments. She said, "When you have an economy primed to grow because of reduced taxes, less regulation, dynamic energy and trade reforms, you want to ensure maximum access to capital. Today we are seeing impressive gains in productivity, which more than justify the meaningful wage gains we are likewise seeing—a testimonial to the pro-growth agenda. The Fed's practice of paying banks to keep money parked at the Fed in deposit accounts instead of going into the economy is unhealthy and distorting; the rate should come down quickly as the practice is phased out."

The Gold Standard:

Ms. Shelton has repeatedly called for a return to the gold standard, a monetary regime that pegged the value of the dollar to the value of gold. That would make it impossible for the Fed to affect the strength of the dollar through monetary policy, she writes. "For all the talk of a "rules-based" system for international trade, there are no rules when it comes to ensuring a level monetary playing field. The classical gold standard established an international benchmark for currency values, consistent with free-trade principles. Today's arrangements permit governments to manipulate their currencies to gain an export advantage," she wrote in another Journal opinion piece, in April.

Monetary Stimulus:

Ms. Shelton opposed the Fed's efforts to stimulate the economy in the aftermath of the recession, arguing that the central bank's low interest rates and asset purchases enriched the wealthy while putting everybody else at risk of a sharp increase in inflation or a new asset bubble. "It is ironic that concern for wage earners serves to justify money pumping by the Fed that ends up largely benefiting people who have hefty stock-market portfolios, especially at a time when "income inequality" is a major White House theme," she wrote in a 2014 Journal opinion article published after then-Fed Chairwoman Janet Yellen had addressed Congress. "Perhaps one of our elected representatives on Capitol Hill can explain to Ms. Yellen that when the low-grade fever of perpetual inflation becomes a full-blown economic malady—when the next financial bubble bursts with horrible consequences for the real economy—average Americans will pay the biggest price."

The Dollar:

Ms. Shelton favors a hard dollar, by which she means one whose value doesn't fluctuate depending on monetary policy. That could put her at odds with Mr. Trump, who has said he wants to see the dollar weaken to put the U.S. in a better trading position. "Forget hawks and doves—this job needs a woodpecker, someone who'll hammer away at the importance of stable money. The goal: not a strong dollar or a weak dollar, but a dependable dollar," she wrote in an October 2017 opinion piece in the Journal. "The Fed should focus on stable money as a key factor in economic performance. Given that central banks today are the world's biggest currency manipulators, it's imperative that the next chairman prioritize the integrity of the dollar."

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