

[Banking and Finance Law Daily Wrap Up, TOP STORY—Senate Banking hearing on Fed nominations uncovers nominee’s gold standard ideas, \(Feb. 14, 2020\)](#)

Banking and Finance Law Daily Wrap Up

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The Senate Banking Committee held a hearing on two nominees for the position of Fed Board Governor, Judy Shelton and Christopher Waller.

The Senate Committee on Banking, Housing, and Urban Affairs has held a hearing on the nomination of two individuals to be Members of the Board of Governors of the Federal Reserve System. The nominees, Judy Shelton and Christopher Waller, both testified with personal statements during the hearing. Committee Chair Mike Crapo (R-Idaho) delivered [opening remarks](#) highlighting the importance of the position of Fed Governor, calling them "critical to ensuring a safe, sound and vibrant financial system, and a healthy, growing economy." Crapo entered into the record a letter from "over one hundred economists supporting the nomination" of Waller," and a Wall Street Journal article in support of Shelton. He stated "I am confident that Dr. Shelton and Dr. Waller will bring strong leadership to the Federal Reserve System."

Brown statements. In his [opening remarks](#), Ranking Member Sherrod Brown (R-Ohio) stressed the importance of the Fed's independence, stating that "economies with independent central banks have less price volatility, fewer bank panics, and more stable economies." However, he warned that Shelton "doesn't believe in an independent Fed, and has spent her entire career advocating for policies that would make our economy more volatile." Citing her three-decade advocacy for the return of the gold standard, Sen. Brown warned that Shelton is not a conservative, instead "she's far outside the mainstream. She's off the ideological spectrum." According to Brown, "If we as a nation had followed Ms. Shelton's advice and had not advanced beyond the gold standard nearly a half century ago, our nation would have bounced from boom to bust, without the monetary tools necessary to pull us out of recessions."

Brown also pointed to Shelton's opposition to Federal Deposit Insurance Corporation deposit insurance as a dangerous view in light of bank failures during the financial crisis. According to Brown, the guarantee of federal deposit insurance "that your money is safe in the bank—is at the bedrock of our modern economy."

Brown also disagreed with Shelton's purported stated interest in replacing the dollar with a common North American currency or even the creation of a global currency, stating that "That kind of globalist ideology doesn't belong anywhere near our fiscal and monetary policy. The American dollar is the world's reserve currency and it should stay that way."

Brown questioned whether Shelton would value the independence of the Fed after she "flipped-flopped on too many important issues" to match President's Trump's beliefs. He stated that Shelton "has too many alarming ideas" to be confirmed.

Regarding Waller, Brown stated that his "analysis has helped direct the research path undertaken by the St. Louis Fed" and that he looks forward "to learning more about how he will hold Wall Street accountable if he is confirmed."

Waller statement. Christopher Waller, currently the Director of Research at the St. Louis Fed, stressed his experience as the main policy advisor there and his knowledge of Federal Open Market Committee meetings in his [testimony](#). "If I am confirmed, I will continue to advocate for policies that achieve our dual mandate and maintain financial stability." Waller stated that the Fed "has been given tremendous responsibility by Congress to use its policies to improve the lives of the citizenry. Congress has also given the Federal Reserve tremendous

freedom to pursue those policies as needed. But in return, it must be accountable to the public for its actions and be able to explain what those policies are and why they are being pursued."

Shelton statement. Shelton also delivered a [personal statement](#) at the hearing in favor of her nomination. In her testimony she discussed the relationship between the Fed and Congress. Shelton stated that Congress charged the Fed "with the mandate to promote maximum employment, stable prices, and moderate long-term interest rates. Our central bank has been entrusted with considerable power to carry out its responsibilities. Along with the political independence and operational autonomy granted to the Federal Reserve comes an obligation to be wholly accountable both to Congress and to the public."

If confirmed, Shelton stated that her priority will be "to support monetary policy that facilitates productive economic growth while also ensuring the soundness and stability of the U.S. financial system." She pledged to support policies "that are effective, efficient, and appropriately tailored to financial institutions—allowing them to better serve their customers and communities in ways consistent with maintaining a safe financial system."

Controversy over policy views. According to a February 14 *Washington Post* [article](#), three Republican committee members, Sens. Patrick J. Toomey (R-Penn), Richard C. Shelby (R-Ala), and John Neely Kennedy (R-La), have said publicly that they are undecided about whether Shelton's nomination should be confirmed. The article noted that a single no vote from a Republican could stall the nomination.

Consumer group Allied Progress also [warned](#) of Shelton's monetary policy views encouraging return to the gold standard. Jeremy Funk, spokesman for Allied Progress, issued a statement that Shelton "believes Wall Street and predatory lenders are totally blameless for the financial crisis that leveled the economy" and concluded that "it would be a serious unforced error for the Senate to rubberstamp Judy Shelton's extreme nomination." Allied Progress also pointed out that Shelton has suggested holding an international summit on monetary policy at Donald Trump's Mar-a-Lago golf resort, which Allied Progress stated would violate the Emoluments Clause at U.S. taxpayers' expense.

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