



February 14, 2020

The Honorable Mike Crapo
Chairman
Committee on Banking, Housing,
and Urban Affairs
United States Senate
534 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Sherrod Brown
Ranking Member
Committee on Banking, Housing,
and Urban Affairs
United States Senate
534 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Crapo and Ranking Member Brown,

On behalf of the Project On Government Oversight (POGO), I write to urge you to oppose the nomination of Judy Shelton to be a Member of the Board of Governors of the Federal Reserve System. POGO is a nonpartisan independent watchdog that investigates and exposes waste, corruption, abuse of power, and when the government fails to serve the public or silences those who report wrongdoing. We champion reforms to achieve a more effective, ethical, and accountable federal government that safeguards constitutional principles.

Since President Trump first announced his intent to nominate Judy Shelton, she has openly questioned the Fed's independence, stating, "I don't see any reference to independence in the legislation that has defined the role of the Federal Reserve for the United States."¹ This viewpoint, as well as several other policy positions Shelton has expressed, suggest that she would not enact monetary policy in an independent, nonpartisan way.

Since the Fed's conception in 1913, Congress has recognized the long-term harm that can occur when short-term political considerations dictate monetary policy, and over time, has worked to further isolate the Fed from political pressure. As POGO has previously highlighted, Congress granted the Fed unique characteristics to help ensure that it crafts and implements the nation's monetary policy in a nonpartisan, independent way, free from undue political interference.² While the law may not specifically spell out its independence, congressional intent is clear through the Fed's institutional design: significantly longer length of terms for members than those of most agencies, staggered over multiple administrations and Congresses, and its own funding mechanism that makes the Fed independent from congressional appropriations.

The central bank's monetary policy decisions are made without input from the executive and legislative branches, as monetary policy is a powerful tool and shouldn't be taken lightly or made in response to political campaigns, the 24-hour news cycle, or tweets.

Before she resigned to pursue her current nomination, Shelton represented the U.S. at the European Bank for Reconstruction and Development for just over a year. As the Wall Street Journal pointed out, during

¹ Saleha Mohsin, "Trump's Fed Pick Judy Shelton Cast Doubt on Central Bank Independence," *Bloomberg*, November 21, 2019. <https://www.bloomberg.com/news/articles/2019-11-21/trump-fed-pick-shelton-cast-doubt-on-central-bank-independence>

² Tim Stretton, "Independence of the Federal Reserve," Project On Government Oversight, October 16, 2019. <https://www.pogo.org/analysis/2019/10/independence-of-the-federal-reserve/>

her tenure at the bank, Ms. Shelton missed 12 of the 28 board meetings.³ This poor attendance record raises questions about how seriously she took her job representing the United States abroad, and whether she would have a similar participation rate at the Federal Reserve. In other words, an attendance rate of less than 60% does not prove that she deserves a promotion.

For decades, Shelton has held policy positions outside the mainstream, including returning the United States to the gold standard,⁴ creating a global currency union,⁵ and rejecting deposit insurance at American banks.⁶ While a diversity of opinions is generally healthy, these ideas would not only result in the United States losing control of its own monetary policy, but could place the economy at risk.

This past year, Shelton followed the president's lead and called on the Fed to pursue larger rate cuts.⁷ However, prior to Trump taking office, Shelton criticized the Fed for keeping interest rates too low.⁸ This apparent significant policy flip-flop raises serious questions as to whether her views on monetary policy have legitimately changed, or—the more likely scenario—her position changed strictly to get on the President's good side. As Senator Jones said during the Ms. Shelton's confirmation hearing, it appears to be a case of "confirmation conversion."

While past presidents and administrations have been critical of the Fed's policy, no other administration has been so persistent in publicly berating the Fed or its chairman. It's particularly troubling that during her nomination hearing, Ms. Shelton defended President Trump's attack on the Fed, by saying, "at least it's transparent."

It's crucial the Fed remain independent when crafting and implementing America's monetary policy. Without its autonomy, the Fed would be focused on achieving short-term economic gains to benefit political candidates' upcoming reelections and not on the future wellbeing of our nation's economy. The Senate must reject Shelton's nomination.

Sincerely,



Danielle Brian
Executive Director
The Project On Government Oversight

³ Paul Kiernan, "Prospective Fed Nominee Judy Shelton Resigned From EBRD Job," *Wall Street Journal*, July 25, 2019. <https://www.wsj.com/articles/prospective-fed-nominee-judy-shelton-resigned-ebrd-job-11563998296>

⁴ Donna Borak, "Trump picks another Fed member who believes in the gold standard. This one really means it," *CNN Business*, July 5, 2019. <https://www.cnn.com/2019/07/05/economy/judy-shelton-gold-standard-federal-reserve/index.html>

⁵ David R. Francis, "Latin America tightens its ties to the greenback," *The Christian Science Monitor*, December 18, 2000. <https://www.csmonitor.com/2000/1218/p17s1.html>

⁶ Judy Shelton, "Banking and Government: An Unholy Alliance," *Cato Journal*, vol. 13, no. 2 (1993): 201. <https://www.cato.org/sites/cato.org/files/serials/files/cato-journal/1993/11/cj13n2-4.pdf>

⁷ Heather Long, "Trump Fed pick Judy Shelton calls for 50-basis-point cut to interest rates in July," *The Washington Post*, July 22, 2019. <https://www.washingtonpost.com/business/2019/07/22/trump-fed-nominee-judy-shelton-calls-basis-point-cut-interest-rates-july/>

⁸ Sylvan Lane, "Trump Fed nominee stirs controversy ahead of hearing," *The Hill*, February 11, 2020. <https://thehill.com/policy/finance/482451-trump-fed-nominee-stirs-controversy-ahead-of-hearing>