



The Daily Dish

Shopping For A Fed Chair

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Eakinomics: Shopping For A Fed Chair

President Trump has stated (tweeting a link to an [Instagram video](#)) that he will announce his choice for Chair of the Board of Governors of the Federal Reserve System or “Fed Chair.” The president chooses the Fed Chair from among the members of the Board for a 4-year term. Current Chair Janet Yellen’s term expires February 3, 2018.

Much of the speculation has been about the “beauty contest.” Who will the judge choose from among the apparent candidates: current Chair Janet Yellen, National Economic Council Director Gary Cohn, former Fed Governor Kevin Walsh, current Governor Jerome Powell, or Stanford professor and former Treasury Undersecretary John Taylor? But perhaps the first question should be: what should one look for in choosing a Fed Chair?

The top attribute is capacity as a crisis manager. The Fed is never more important than when financial markets are in turmoil. The Fed Chair needs to be decisive and capable of leadership both within the Fed and in the public eye.

The second criteria is a coherent philosophy of monetary policy, its role in financial stability and links to economic growth. It is not enough to understand banking or even Wall Street as a whole. The ultimate grade comes from Main Street performance. Included in this area are issues like the role of inflation and whether the Fed should focus on inflation exclusively (as a route to good growth) or modify policy on the basis of labor market conditions as well.

The final area is managing the Fed. The Federal Reserve is itself a sprawling system, Governors need to be assigned roles, the Fed staff requires leadership, and the Fed’s relationship with Congress and the White House needs constant care.

It will be interesting to see who the president picks. But it will be revealing of the Administration’s thinking as well.