

# Weighing Fed nominees, Biden administration faces delicate political test

A major decision for President Biden is whether to reappoint Jerome H. Powell, and how to fill out the rest of the Fed roster



By [Rachel Siegel](#)

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A major decision for President Biden when it comes to the economy is whether to reappoint Jerome H. Powell to a second term as chair of the Federal Reserve Board. But that choice is increasingly fanning political flames and could depend on who else the White House assembles to round out the Fed roster.

Powell, a Republican, joined the Fed board under President Barack Obama. He was nominated by President Donald Trump to be chair in 2017, although Trump often lashed out against him for not doing enough to stimulate the economy. Powell's term expires in February.

Going forward, Powell will perhaps be best known for steering the Federal Reserve through the coronavirus crisis as the central bank deployed an unprecedented effort to keep the economy afloat.

The White House must now decide whether to reappoint him to another term. And it's a politically fraught decision.

Earlier this week, Reps. Alexandria Ocasio-Cortez (D-N.Y.), Rashida Tlaib (D-Mich.) and Ayanna Pressley (D-Mass.), all of whom sit on the House Financial Services Committee, called for Biden to appoint a new Fed chair. In a statement, which was first reported by Politico, the lawmakers said that under Powell, the Fed "has taken very little action to mitigate the risk climate change poses to our financial system." They also said the Fed "has substantially weakened many of the reforms enacted in the wake of the Great Recession," including those regulating the largest banks.

Meanwhile, some left-leaning economists and Fed watchers hope Biden keeps Powell, in large part because of Powell's push for full employment and the benefits of a tight labor market. On Thursday, Rep. John Yarmuth (D-Ky.), chair of the House Budget Committee, said in a statement that Powell has had a "steady hand through a time of severe crisis" and that "a consistent and focused Federal Reserve is critical."

The White House also faces a tricky political test when it comes a slew of other Fed decisions. In addition to chair, the administration can fill slots for the Fed's vice chair, vice chair for supervision (essentially the Fed's top banking cop) and a separate seat on the board of governors that's already open.

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In one scenario often discussed by economists, as well as those close to the Fed and Capitol Hill, Biden could reappoint Powell at the same time that he fills other openings on the Fed board with a slate of more liberal nominees. The idea behind a “package deal” would be to please as many factions within the Democratic Party as possible.

But that strategy has increasingly met pushback from some left-leaning groups that say they aren’t sold on that kind of trade-off. Their concern is whether Fed policies would meaningfully shift — especially on banking regulation — if Powell stays in place.

“There was a sense among some in the administration that keeping Powell at the top and having the other vacancies [go to left-leaning candidates] gave them a relatively easy path to accomplish a broad range of things, from keeping markets from reacting in a negative way, to keeping both moderates and progressives happy,” said Eswar Prasad, an economist at Cornell University and the Brookings Institution. “And I think that is where things have become complicated.”

Jeff Hauser, executive director of the Revolving Door Project at the left-leaning Center for Economic and Policy Research, said it makes sense for the administration to evaluate a group of nominees at once. But he said “that doesn’t mean starting with retaining Trump’s Fed chair.”

“The notion that we can balance out Powell, I think, runs into some very basic facts about the structure of the Federal Reserve,” Hauser said, adding that “there are limits to what a dream team can do.”

People close to the administration and the Hill emphasized that there has not been a groundswell of opposition to Powell, and that discussions over who should run the Fed are still fluid.

In a statement, the White House said, “The President will appoint the candidates who he thinks will be the most effective in implementing monetary policy.” Last month, Bloomberg News reported that Treasury Secretary Janet L. Yellen told senior White House advisers that she supports reappointing Powell as chair.

The Fed stakes much of its authority and reputation on a separation from politics. Yet it can never truly unplug from Washington’s churn, especially when it comes to nominees. Biden’s decisions for the Fed have drawn attention given the politics — and the economic backdrop.

As inflation rises, Powell and the White House share the view that the price increases on a range of items, from groceries to rental cars, are a temporary problem for the economic recovery. As supply chains have time to clear their backlogs, and consumer demand settles down, they say inflation will ease back down, too. But only time will tell if they are right.

Republicans are likely to back Powell, despite their criticisms that he’s been too lax on rising inflation. Many Democrats, meanwhile, have embraced Powell’s views on full employment and the labor market and give Powell enormous credit for his leadership during the pandemic.

If Powell is not chosen as chair, the widespread expectation is that Biden would nominate Lael Brainard, the lone Democrat on the Fed board. Brainard has consistently voted against the Fed’s moves to soften banking regulation and warned of the dangers of less Wall Street oversight, even when the economy is healthy.

Brainard has also exerted her influence in other ways. Last year, Powell brought Brainard into the Fed’s close inner circle — a group traditionally confined to the Fed chair, vice chair and New York Fed president — that shapes the monetary policy agenda.

In gaming out Biden’s options, some people close to the Fed and the Hill think Biden could nominate Brainard to be the Fed’s vice chair, or vice chair for supervision, given her strong views on banking regulation.

In an interview with [Bloomberg TV](#) last month, Sen. Elizabeth Warren (D-Mass.) praised Brainard's "strong and powerful dissents," adding that Brainard "makes a good case for why it is the job of the Federal Reserve to be that cop on that beat." Warren said that Powell "has weakened a regulation here, he has led the Fed to ease up there."

When asked during the interview whether it would work to have a chair who was "very strong" on monetary policy work alongside a top Fed official who was "stronger" on regulation, Warren sounded unconvinced.

"The problem is that it's the chair of the Federal Reserve where the power is concentrated," she said. "It is the chair who decides what policies go forward. It is the chair who decides when to call a vote."

But not everyone believes Powell would dictate the Fed's agenda if he got another term as chair.

Powell is known to value consensus. People close to the Fed also noted that the vice chair for supervision role was a job specifically created by Congress after the Great Recession to oversee the financial system. They said Powell respects the authority that comes with that job, and doesn't see it as one that can or should be co-opted by the chair.

And a look back at his record shows Powell sided with Randal K. Quarles, the vice chair for supervision, about as much as he did with Daniel Tarullo, a Democrat who led the Fed's moves to tighten Wall Street oversight when Yellen was chair.

"The notion of Powell overriding that person seems very out of step with how he has conducted himself as a Fed chair and Fed governor," said Skanda Amarnath, executive director at Employ America, a left-leaning think tank that advocates for the Fed to let the economy run hot. "I think you get the picture of someone who is not putting his thumb aggressively on the scale."