

# Playing Politics **at the Federal Reserve**

In a recent op-ed piece published by Bloomberg, former New York Federal Reserve President Bill Dudley called for the Fed to tailor its policies to harm President Donald Trump's reelection bid. While making that request, Dudley implied that such an action would be a great departure from the previous policy of the Federal Reserve. That, of course, is nonsense: The Fed has a history of tweaking the American economy for political purposes.

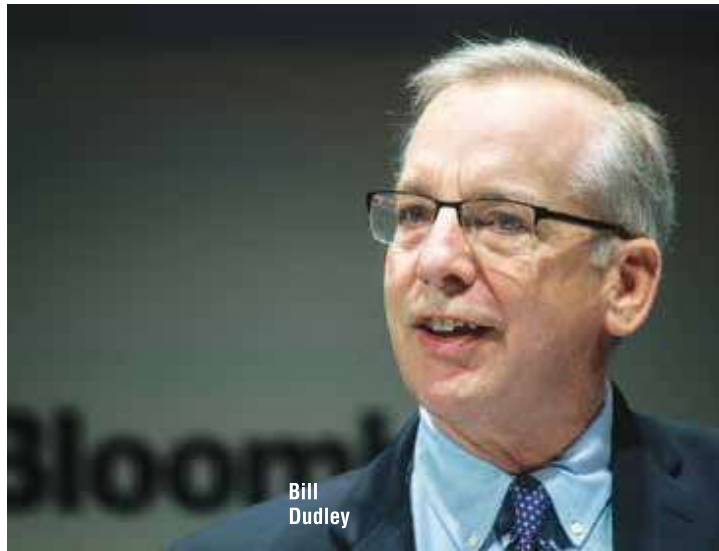
In his political screed, Dudley attempted to lay out his argument that "President Donald Trump's trade war with China keeps undermining the confidence of businesses and consumers, worsening the economic outlook," and that, with the "ultimate goal" of a "healthy economy," the Fed should consider the option to "refuse to play along." His recommendation? Refuse to adjust interest rates and set an economic policy trap that will spring on Trump, to make it "abundantly clear that Trump will own the consequences of his actions" — "including the risk of losing the next election."

As if that weren't pointed enough, Dudley sharpened it a bit by ending his piece saying:

There's even an argument that the election itself falls within the Fed's purview. After all, Trump's reelection arguably presents a threat to the U.S. and global economy, to the Fed's independence and its ability to achieve its employment and inflation objectives. If the goal of monetary policy is to achieve the best long-term economic outcome, then Fed officials should consider how their decisions will affect the political outcome in 2020.

While Dudley's overt call for the Fed to deliberately and obviously meddle with the political process is cause for raised eyebrows, it is far from unheard of. In fact, the only departure here is the flagrant honesty of saying it aloud (or writing it out plainly, in this case). That honesty is stained, though, by Dudley's mendacity in pretending that this would be a new direction for the Fed. Dudley wrote that the power brokers in the Fed "typically take what happens outside their realm as a given, and then make the adjustments needed to pursue their goals of stable prices and maximum employment," and that "staying above the political fray helps the central bank maintain its independence."

Further, by claiming that "Trump's reelection arguably presents a threat to the U.S. and global economy, to the Fed's in-



Bill Dudley

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dependence and its ability to achieve its employment and inflation objectives," he is claiming that acting politically — by moving to cost Trump the election — the Fed can maintain its "independence." Not only is that claim ridiculous in that it is self-refuting (perhaps Dudley pretends not to understand the meaning of the word "independent"), but it is also ridiculous to assume that any such "independence" exists in the first place.

The Fed — further propagating the myth of "independence" — rejected Dudley's overt call for meddling with

the election, claiming it would threaten that alleged "independence."

Former Congressman Ron Paul (R-Texas) called that myth "Bill Dudley's noble lie" and wrote in an article originally published at the Ron Paul Institute for Peace and Prosperity and later published on this magazine's website that "Dudley claims the Federal Reserve bases its policies solely on an objective evaluation of economic conditions." He went on:

This is an example of a so-called noble lie — a fiction told by elites to the masses supposedly for the people's own good, but really designed to maintain popular support for policies that benefit the elites. Dudley's noble lie is designed to bolster a rapidly (and deservedly) eroding trust in the Federal Reserve. The truth is the Federal Reserve has always been influenced by, and has always tried to influence, politics.

Paul then lists several examples of the Fed's incestuous relationship with politics, including both houses of Congress and the White House. Those examples include George W. Bush blaming his 1992 defeat at the hands of Bill Clinton on the Fed's refusal to lower interest rates. Not only does that resemble what Dudley is calling for, but the Fed — after handing Clinton the election — was quite cozy with Clinton. Paul writes that "Lloyd Bentsen, Clinton's first Treasury secretary, wrote in his autobiography that the Clinton administration and the Federal Reserve had a 'gentleman's agreement' regarding support for each other's policies."

In what universe is a "gentleman's agreement" regarding support for each other's policies not the exact opposite of "independence"?

Regardless of how one feels about President Donald Trump, it is obvious that the Fed — an unelected, unaccountable body of oligarchs — presents a grave danger and should be dismantled. ■