

## Trump as president and Yellen at the Fed

Central bank chief has been good for business

by Meghnad Desai

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Policy-makers and financial practitioners are wondering what might happen to Janet Yellen as Federal Reserve chair should Donald Trump, the Republican nominee, become US president after the November election.

Yellen's four-year term as chair ends in February 2018 and Trump has said in recent months he would 'most likely' replace her because she is 'not a Republican'.

I would like to put people's minds at rest. If Trump wins – and I am more open to this prospect than many other international observers, since I believe he would bring a welcome touch of unorthodoxy into US and international economics – this need not be the end of the line for Yellen.

Other Republicans like Paul Ryan, speaker of the House of Representatives, have much stronger views about the Federal Reserve than Trump has. Since Trump is not an orthodox monetary person, he doesn't really care about the Fed. I think he would leave the Fed alone. The central bank is keeping interest rates low, which is what he wants, and I think he will not try to do too much to interfere.

Of course, should Yellen decide to retire in 2018, then Trump will appoint his own person (subject to approval by Congress) – but that's an open question. Yellen has been really agreeable to business, and to Congress. I think she will stay on. I hope she does.

Presidents in recent decades have not always chosen Fed leaders of their own political persuasion. Democrat Bill Clinton twice renewed Alan Greenspan, a Republican. In 2009, Democrat Barack Obama renominated Ben Bernanke, a Republican, for a second term and then in 2013 nominated Yellen from his own party.

As to Trump's gaffe-strewn election campaign, people forget that campaigns are one thing, performance in office another. There are also much worse examples. Who remembers Warren Harding, the scandal-ridden US president in the early 1920s? If America survived Harding, it can survive anybody.

But I think Trump actually may be very positive: a bold and adventurous candidate. The world right now needs something different. It doesn't need business as usual.

We have had candidates before who have been both surprising and worrying at the time. I remember Barry Goldwater (Republican nominee in 1964), who did not win, about whom concerns were expressed. Ronald Reagan is now seen as a great leader, but when he was running for president in 1980 people were predicting dire consequences.

Trump is the first almost-full-time businessman nominee in the post-war period. As a businessman, he has said he has a relaxed attitude towards debt. He has borrowed money, he has repaid money, and he sees debt as an instrument for expansion.

In public finances, there has been a very strong anti-debt feeling for a long time, at least the last five years. Now the time has come to break the mould and allow a lot of borrowing for infrastructure spending. We should borrow for investment, not for consumption.

America has a huge deficit in infrastructure investment. There has been little replacement and renewal for nearly 25 years. Dwight Eisenhower was the last president, in the 1950s, who carried out such a programme – 5% gross investment as a percentage of GDP for five or six years.

We need that kind of revival, and Trump can do it.

The dollar is a safe haven, either when the US is in trouble or the rest of the world is in trouble. So I'm not actually worried that much about the dollar if Trump moves into the White House.

We've had a lot of orthodox finance in the last few years. Now the time has come to try a little adventure.

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For more of Meghnad Desai's views on Donald Trump, [read the transcript and listen to Desai's four-way conversation on 16 August](#) with Desmond Lachman, Resident Scholar, American Enterprise Institute; Marsha Vande Berg, Distinguished Careers Programme Fellow, Stanford University; and Eugene Zhuchenko, Executive Director, Long Term Infrastructure Investors Association.