

## **Q: What do you expect the impact to be of a 2<sup>nd</sup> term for Powell as Fed Chair?**

**Brian Lockhart:** I think it was smart of President Biden to re-appoint Chairman Powell at this time. Everything has become so politicized in the world and there is no way for the Fed to remain 'apolitical' at this point. However, had he not followed the customary path of providing a 2nd term for the Fed Chair it would have appeared to be politicizing the Fed to a greater degree. Powell remains a steadying hand between the wish lists of the progressives (think Modern Monetary Theory) and the fiscal conservatives/moderates who are still concerned our borrowing today will saddle future generations with a crippling debt burden. Powell has the respect of both parties and like a good referee, that means he angers both sides of the Fed policy debate from time to time. Maybe the best word to describe Chair Powell's leadership is sensible. I expect he will continue to lead the Fed in a sensible way, willing to err on the side of accommodation over short-term inflation, but with the will to take decisive action if inflation warrants.

The other impact of Powell serving a 2nd term as Chairman is who will not become the Chair, at least for now. Lael Brainard was aggressively promoted by progressives as their preferred choice for the Fed Chair. A Harvard educated economist, Ms. Brainard refused to provide an answer to Congress when asked if she was a Capitalist or Socialist.

**Clint Pekrul, CFA:** If there is one thing investors look for out of the Federal Reserve, it's continuity. Biden's pick for Jerome Powell to serve a second term dismissed concerns that the president would select an unknown to run the nation's central bank. Continuity at the Fed is critical now, particularly with the recent uptick in inflation and the prospect of higher interest rates. Prior to Powell's renomination, there were concerns that Biden would fold to political pressure and partisanship from Congress to remove Powell, but by nominating Lael Brainard as vice chair, Biden appeased the progressives on the left.

One of the biggest challenges that Powell will face in his second term is deciding when to remove all the stimulus support enacted during the pandemic. While the Fed has slowed the pace of its bond buying program to provide liquidity, it has held interest rates near zero. With inflation ticking higher, the Fed may be forced to raise rates, which would likely hamper growth. Lower growth expectations coupled with higher rates would likely put downward pressure on financial markets. Likewise, any move from the Fed that is seen as a detriment to the economic recovery will be likely met with fierce political opposition. So, Powell has a balancing act in front of him in the years to come. He's shown in his first term that he can rise above political pressures and do what he thinks is in the economy's best interest.