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Economists See Few Monetary Policy Changes With Powell Leading Fed

Almost 96% of economists in a WSJ survey said Jerome Powell is qualified to lead the central bank

By David Harrison Nov. 9, 2017

Economists surveyed by The Wall Street Journal this month expect that a Federal Reserve led by Jerome Powell would mean little change in monetary policy and a less aggressive approach to financial regulation.

Most survey respondents expect the Fed to raise short-term interest rates next month and lift them three times next year and twice in 2019, in quarter-percentage-point moves.

That would match the projections penciled in by Fed officials in September. They will update those forecasts at their next scheduled meeting, Dec. 12-13.

President Donald Trump last week nominated Mr. Powell, a Fed governor, to serve as the next central bank chairman after Janet Yellen's term as chief expires in February.

Overall, economists expressed few qualms about Mr. Powell at the helm, with almost 96% saying he is qualified to lead the Fed. Mr. Powell, a lawyer, has worked at an investment bank, at the U.S. Treasury Department, as a partner in a private-equity firm and as a Fed governor since 2012.

"Powell has shown to be as cautious and judicious in his approach to monetary tightening as Janet Yellen was," said **Bernard Baumohl,** chief global economist of Economic Outlook Group LLC.

If confirmed by the Senate, as is likely, Mr. Powell would be the first Fed leader in 30 years not to have a Ph.D. in economics, but the economists surveyed didn't think that would be a drawback.

"A Ph.D. in economics is not the only qualifying experience," said Gus Faucher, chief economist at PNC Financial Services Group. He said Mr. Powell had a good understanding of financial markets from his time serving at the Fed, the Treasury Department and in the private sector.

Roughly 88% of the economists surveyed said the Fed led by Mr. Powell would pursue the same monetary policy as under Ms. Yellen, while 12% said it would be more inclined to tighten.

Mr. Faucher said he saw "no change in forecast" with the Powell nomination.

At the same time, more than two-thirds of respondents said they believe the Fed would ease up on its regulatory efforts somewhat under Mr. Powell's leadership.

"This will be the main difference of a Powell Fed," said Sean Snaith, an economist at the University of Central Florida.

Still, the change in regulatory direction is likely to be modest, respondents said. Gregory Daco, chief U.S. economist at Oxford Economics, said the push toward deregulation would be "limited." Paul Ashworth, chief North American economist at Capital Economists, said regulatory policy under Mr. Powell is likely to be "marginally less aggressive."

In recent public remarks, Mr. Powell has pointed to ways that new rules imposed since the financial crisis could be eased, but he has made clear he isn't willing to scrap the postcrisis rules entirely.

"I don't think what we're talking about here amounts to broad deregulation," he told the Senate Banking Committee this summer. "I think it amounts to making regulation more efficient, protecting the important gains we've made" since the crisis. ###